Two of a kind
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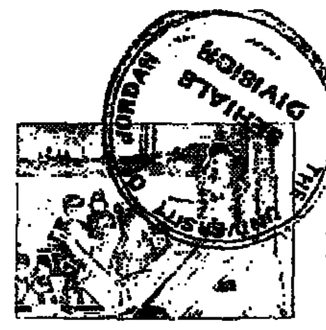


TOMORROW'S
Weekend FT
Luxury ride through the ruins of Russia

FINANCIAL TIMES

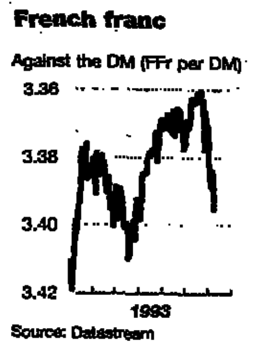
Europe's Business Newspaper — FRIDAY JULY 9 1993 — D8523A

Microchip makers hit by explosion at Japanese factory

Semiconductor manufacturers are looking for alternative supplies of epoxy resins used in packaging microchips, following an explosion at a Sumitomo Chemical factory in Japan which produces 60 per cent of the world's output. It is likely to be at least three months before the factory resumes production. Page 20

EC backs down on merger vetting: The European Commission has scaled down plans to vet more cross-border takeovers after opposition from Britain, Germany and France. Page 20; No soft touch, Page 19

French franc sinks against D-Mark



The French franc fell sharply against the D-Mark yesterday, dropping by nearly 2 centimes at one stage, after the country's official statistics agency issued a surprisingly gloomy forecast for economic growth. The Bank of France did not intervene to support the currency and dealers said that France's membership of the European exchange rate mechanism was undermining its ability to cut interest rates to levels that would stimulate an economic recovery. Page 20; Lex, Page 20; Currencies, Page 44

Russian region defies Moscow: The Russian far east region declared itself a republic, the second region to do so in 10 days. Page 2

Cummins Engine of the US and India's Tata Engineering and Locomotive (Telco) announced a $50m joint venture to produce engines for Telco vehicles. Page 24

Yasuda Fire and Marine Insurance, Japanese non-life company, is to take a 10 per cent stake in INA Life Insurance, a Japanese arm of the Cigna group of the US. Page 23

Mexico plans reforms: Mexico is planning political reforms that go a long way to meeting opposition demands for a more independent electoral system. Page 3

Agreement 'close' on UK aid map: Britain and the European Commission are "close to agreement" on proposals to redraw the nine-year-old map of areas eligible for UK government assistance. Page 7

British Aerospace, UK defence-to-cars group, reorganised its debt to increase its flexibility in managing assets and reduce the risk of breaching loan agreements. Page 21; Lex, Page 20

Nike, the US shoe manufacturer, reported an 8.8 per cent rise in fourth-quarter net income to $76.9m and said volatility in its stock was not consistent with its growth potential. Page 21

Bayer UK, British subsidiary of the German chemicals group, attacked the UK government's plans to control health service drugs costs, which last year reached £3.4bn ($5.1bn) and grew by 11 per cent in the first four months of this year. Page 7

Owners Abroad, UK holiday company which narrowly escaped being taken over by rival Airtours, said profits this year would be half current market expectations. Page 21; Lex, Page 20

Egypt hangs seven: Seven Islamic militants were hanged in Egypt for attacks on tourist buses and Nile cruisers last year. Page 4

City banks defy IRA: Overseas institutions in London's financial district reacted defiantly to a warning from the IRA of more bombing campaigns. Page 8

Enron, the US gas group, is to build a second gas processing plant next year on Teesside in north-east England at a cost of £50m ($75m). Page 7

Floods kill 20: At least 20 people were feared killed in floods caused by monsoon rains in India's northern Himachal Pradesh state.

Record price for desk: An early 19th century Regency desk made for the Marquess of Anglesey sold at Christie's in London for £1.76m ($2.64m), the highest price paid for a piece of English furniture at auction.

Watery grave: The world's first floating swimming pool, built in 1785, sank in the River Seine in central Paris.

■ STOCK MARKET INDICES

FT-SE 100:	2845.9	(-2.4)
Yield	4.02	
FT-SE Eurotrack 100	1225.73	(+14.40)
FT-A All-Share	1411.46	(-0.0%)
Nikkei	19,688.67	(-32.00)
New York lunchtime		
Dow Jones Ind Ave	3516.63	(+40.96)
S&P Composite	448.38	(+5.55)

■ US LUNCHTIME RATES

Federal Funds:	3 1/16%
3-mo Treas Bills: Yld	3.065%
Long Bond	105 3/4
Yield	6.674%

■ LONDON MONEY

3-mo Interbank	6%	(5 13/32%)
Liffe long gilt future:	Sep 107 11/16	(Sep 107 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$16.595	(16.92)

■ Gold

New York Comex (Aug)	$395.6	(397.8)
London	$395.45	(394.0)

■ STERLING

New York lunchtime:		
$	1.4925	
London:		
$	1.4955	(1.4925)
DM	2.55	(2.5475)
FFr	8.6575	(8.6175)
SFr	2.265	(2.2625)
Y	162.5	(160.75)
£ Index	80.8	(Same)

■ DOLLAR

New York lunchtime:		
DM	1.707	
FFr	5.801	
SFr	1.51835	
Y	109.005	
London:		
DM	1.7045	(1.7075)
FFr	5.79	(5.775)
SFr	1.515	(1.5165)
Y	108.6	(107.7)
$ Index	65.9	(65.6)

Tokyo close Y 107.85

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr18.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es216	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Bonn spending cuts 'killed hopes of upturn'

By Christopher Parkes in Frankfurt

THE German government's budget proposals have killed any hope of an economic upturn next year, and left the Bundesbank little room for interest rate reductions, according to the influential German Institute for Economic Research (DIW).

In a scathing attack, the Berlin institute warned in its latest report that Bonn's economic and finance policies would lead to nil economic growth in 1994, compared with consensus forecasts of 1 per cent GDP growth.

The DIW is one of the five leading independent economic institutes in western Germany, and was one of the first to warn of the dangers of Chancellor Helmut Kohl's decision to press ahead with early monetary union with the former East Germany.

The report poured cold water on optimism within the government and the Bundesbank that recovery will start at the end of this year. It also heaped scorn on widespread claims that the economy is imperilled by structural crisis.

Prof Lutz Hoffmann, DIW president, yesterday denounced the government's finance policy as "short-term juggling".

Introducing the report, he said suggestions that structural problems could be solved by people working longer hours – strongly backed by Mr Kohl – were "tomfoolery of the first order".

The institute, which based its forecast on the assumption of early and "radical" cuts in European short-term interest rates, claimed that thanks in part to planned increases in fuel taxes, west German inflation would average 3.5 per cent next year.

"This does not suggest... there will be great scope for interest rate cuts," it said.

While the government was counting on a DM35bn ($20.5bn) improvement in its revenues next year – the sum of proposed spending cuts and extra income from fuel taxes – "four fifths of these measures directly reduce incomes, one fifth increases prices", the report noted.

Bonn's savings, dependent on benefit cuts, would lead to a real fall in private disposable incomes of 2 per cent next year and a drop of 1.5 per cent in private consumption, it claimed.

Reducing unemployment benefits and payments to the poorest divided the community, it said. "And those who now want to reduce real wages for an extended period with the aim of overcoming a supposed lack of competitiveness and making the burdens of unification bearable, misunderstand the dynamics of

Continued on Page 20
Optimism fuels jump in German markets, Page 2
World stocks, Back, section II

Compromise $3bn package aims to aid privatisation and back reform

G7 nations agree Russian fund

By Leyla Boulton and Jurek Martin in Tokyo

THE WORLD'S leading industrialised nations yesterday provisionally agreed a $3bn fund to help Russian privatisation as President Boris Yeltsin arrived in Tokyo for the end of their summit.

The fund, to be disbursed over the next 18 months, was put together under US leadership by Group of Seven finance ministers from a mixture of new funds and money already committed to other programmes. It represents a compromise between the original $4bn proposed by the US and calls by Japan and the European Community for more modest initial help.

The fund was proposed by President Bill Clinton at the US-Russian summit in Vancouver in April as an addition to a $43bn package of aid, loans and debt rescheduling.

The package, intended to help privatise Russia's large communist-era state companies, is an attempt to demonstrate support for Russian reforms without digging too deeply into western pockets. Most G7 countries are pleading recession and budget constraints of their own.

The $3bn includes $1bn in western credits for Russian enterprises to import western capital equipment, $500m in technical assistance from G7 countries, and a further $500m from the World Bank for aiding areas which have been particularly dependent on state-owned enterprises for public services.

A further $1bn will come from the European Bank for Reconstruction and Development, the World Bank and its private investment arm, the International Finance Corporation.

Mr Clinton last night called the package "a real success" and complimented European willingness to "come forward".

Mr Larry Summers, the US Treasury under-secretary for international affairs and a strong backer of the fund, called it a "shot in the arm" for Russia's mass privatisation programme.

Mr Kenneth Clarke, the UK chancellor, warned that ways would be sought to tie the assistance to progress with economic reform. But he said there was little point in strengthening the Russian private sector unless the country gained better access to western markets – an issue which Mr Yeltsin intends to raise when he meets G7 leaders today.

In response to western and Russian complaints that aid is not being delivered efficiently, the G7 countries plan to set up a system for co-ordinating it through representatives of their embassies in Moscow.

The new fund gives the embattled Russian leader a tangible result to take home, despite the rejection of his request to sign the political communiqué issued by the G7 leaders yesterday.

In a letter sent to Mr Kiichi Miyazawa, the Japanese prime minister, a week before the summit, Mr Yeltsin said issuing the statement with Russia's signature would be "an important testimony that the co-operative relationship between Russia and the G7 was not stalemated but qualitatively developed". But his request was turned down on the grounds that the G7 was not yet ready to become the G8.

The summit's 10-point political communiqué warned both Serbia and Croatia that neither financial nor commercial assistance "including reconstruction aid" would be forthcoming if they persisted in dismembering Bosnia by force.

The statement, strengthened by foreign ministers yesterday morning after a vigorous debate by heads of government over much of the previous 24 hours, stated that "stronger measures" were not excluded.

US and other officials said this meant that the arms embargo on Bosnia could be lifted if it proved impossible to sustain United Nations relief and peacekeeping operations.

Even Mr Douglas Hurd, the UK foreign secretary who has opposed the lifting of the embargo sought by the US, acknowledged this possibility, but said it would be a "policy of despair".

Bill Clinton (left) looks on as Japanese Crown Princess Masako talks to Boris Yeltsin at a banquet in the Imperial Palace, Tokyo, yesterday

Euro Disney warns of loss and seeks US parent's help

By Alice Rawsthorn in Paris

EURO DISNEY, which has been plagued by problems since the opening last year of its lavish EuroDisneyland theme park, yesterday warned that it would make a loss this summer and that it had sought the financial support of Walt Disney, its US parent company, while it restructured its finances.

Mr Philippe Bourguignon, the Frenchman who became chairman last autumn as part of a management reshuffle, said Euro Disney had decided to delay the construction of the second phase of EuroDisneyland because of its financial difficulties.

The group's shares fell sharply, ending the day in Paris down FFr870 at FFr5,950, their lowest level this year. In London, Euro Disney shares closed 108p lower at 675p.

Euro Disney, which originally hoped to be profitable from its opening year, is on course for heavy losses in the current financial year to September 30.

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Empty pockets hit imported dream .... Page 21
World stocks........ Back Page, Second Section

It had already announced a net loss of FFr1.08bn ($180m) for the six months to March 31 and now predicts an unexpectedly high deficit of FFr500m for the third quarter and another loss for the fourth.

The second half, which includes the spring and summer, should be the busiest period in Euro Disney's year.

Euro Disney said it had been affected by the European recession and by the French franc's strength against other currencies, notably the pound and lira, since last autumn's currency crisis. The UK was the weakest market with the number of visitors to EuroDisneyland falling to 310,000 in the third quarter, 50 per cent below the same period last year.

The decline in foreign attendance was countered by a healthy increase in the number of French visitors. Euro Disney said expenditure in the theme park and hotels, however, had been "significantly below expectations".

The group is now reassessing its plans for the second phase of EuroDisneyland, originally expected to include a second park and golf course.

Mr Bourguignon said the group had to be "prudent for the short term".

In the meantime, Euro Disney is trying to restructure its debt in a refinancing deal which could include raising new capital. Its net debt has already risen from FFr18.5bn to FFr21bn in the current financial year, thereby raising concern about its future cashflow position.

Walt Disney, which owns 49 per cent of its equity, has agreed to help finance cashflow requirements until next spring when Euro Disney hopes to have completed its refinancing.

Police in Italy uncover Ferrari fakes trade

By Robert Graham in Rome

COUNTERFEIT trade in brand names is no longer limited to Gucci bags and Cartier watches. Italian police have uncovered fake Ferraris – sports cars so expertly manufactured that enthusiasts in four countries bought them as the real thing.

Raids on three workshops near Modena and Cremona, the heartland of the genuine article, turned up 10 counterfeit cars either finished or being built. One was a copy of a 1954 Testarossa 250 model - an original of which can fetch close to £1m.

"They are extremely good copies right down to the chassis work, numbering and interior finish", a Modena policeman said. "Often there is a only a millimetre of difference in the size and parts. Only by looking closely at the metals used was it possible to tell the difference with a genuine Ferrari."

The operation was run by two ex-Ferrari mechanics who had access to original designs. They concentrated on prestige models of the 1950s and 1960s. Two Swiss citizens are wanted for questioning about their alleged role in selling the cars.

Ferrari alerted the police to its suspicions of a sophisticated counterfeit operation after it received repeated requests for parts to rebuild a car which happened to have an unexplained number of accidents.

Modena police, say the business began legitimately, rebuilding damaged Ferraris. But when the price for period Ferraris rose rapidly, the car-builders decided to cater to this market. Fakes were sold to collectors in Japan, Switzerland, the UK and US.

Police are tracing how many copies have been put on the market: "It could be a good 40 but we don't know – each one worth several hundred million lire."

Ferrari said yesterday it was awaiting developments to see if it should take legal action to prevent its cars being copied.

Mr Robert Brooks, head of the international auction house of the same name, said: "The replica lark has been going on for some years. But usually... they are known to be replicas and priced accordingly."

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NEWS: EUROPE

Seven-year formula could help meet demands of the Irish government

EC funding dispute closer to solution

By David Gardner in Brussels

PROSPECTS for a solution to the row over the European Community's regional aid funding rose yesterday as Ireland appeared to be softening its demands over its share.

According to senior European Commission officials, Dublin is signalling a willingness to settle, raising hopes that next week the European Parliament can endorse the aid package in time to start disbursing it next January.

But there has been considerable confusion about what share Ireland is claiming over exactly what period.

The Ecu157bn ($180bn) aid package, to replace the 1989-93 structural funds worth Ecu63bn, is spread over two periods, one of six and one of seven years. Ecu141.5bn in new structural funds – for backward and industrially stricken regions and for training the unemployed – is for 1994-99. But the Ecu15.5bn cohesion fund for the EC's four poorest member states – Ireland, Spain, Portugal and Greece – was started up this year and runs to 1999, or over seven years.

Mr Albert Reynolds, the Irish prime minister, said at the Edinburgh summit last December when the overall package was agreed that he had guarantees from the Commission of I£8bn ($11.6bn) for Ireland over seven years.

Senior Commission officials in Brussels say that Dublin this year submitted a demand for nearly that figure, but over six years – the 1994-99 period – and that this was rejected, leading to the Irish veto.

A senior Irish official in Brussels categorically denied this yesterday, saying "there was never any time when we were looking for a figure except over seven years."

If the seven-year formula is stuck to, Mr Reynolds' government can add in the EC aid of I£956m already committed to Ireland for this year, although this allocation was set four years ago.

That addition could get Dublin reasonably close to its bottom line, but it is still not clear whether it will be close enough.

One senior Commission official said that even with the addition, and on the most generous interpretation of the weighting system for allocating the funds earmarked for the poorest states, it was difficult to arrive at a figure above I£7.5bn.

Irish sources said Dublin was willing to see the relatively high percentage share Ireland got out of the last programme diluted in the new package, but probably not below I£7.8bn.

Mr Jacques Delors, Commission president, is due to talk to Mr Reynolds today. The Irish premier has written to the Commission president stressing that Ireland's demands are over seven years. *But Irish officials warned yesterday that Mr Dick Spring, foreign minister, told Mr Delors last weekend that "this issue must be settled to our satisfaction, and it involves a political decision going beyond technical indicators".*

● The Portuguese government will seek Es3,500bn ($21.7bn) in structural funds from the European Community for the period 1994 to 1999, Mr Aníbal Cavaco Silva, prime minister, has announced, writes Peter Wise in Lisbon.

The request, which will be submitted to Brussels in the near future, is thought to have been prompted as an early move in the face of the Irish rejection of the planned division of EC structural funds among the four poorest members states, Ireland, Greece, Portugal and Spain.

Mr Cavaco Silva said the EC funds would mobilise Es6,580bn in investment, representing 28 per cent of the total investment in the Portuguese economy over the next six years. This would mean public investment growing at a rate of 8 per cent a year and private investment at 5.5-6.5 per cent a year.

Mr Felipe González, Spain's prime minister, wins a round of applause from colleagues in parliament following a speech yesterday promising a policy of deregulation and decentralisation during his fourth term. He said he expected members of the Catalan and the Basque nationalist parties to join his Socialist-led cabinet. Many of the policies outlined by Mr González in his speech bore the mark of Mr Carlos Solchaga, the liberal-minded economy minister in the outgoing government. He fought bitter battles to contain public spending and to loosen Spain's rigid labour laws.

Russian bank's missing millions

Coopers & Lybrand report highly critical of accounts

By John Lloyd in Moscow

A REPORT on the Russian central bank by Coopers & Lybrand, the accountancy firm, highlights "distortions, mistakes. . . and possible abuses" which may run into thousands of millions of roubles.

The report, commissioned by the Russian parliament for presentation with the central bank's *accounts for the past year*, is frank in its assessment of the bank's shortcomings. It states that, as a matter of urgency, the bank needs to improve the information it receives from its branches and from within its operations.

The report says that information has been so scanty in some areas that "we cannot *give a final opinion on whether* the accounts. . . reflect all payments coming in and going out of the bank".

The analysis of the accounts does not conform to international auditing standards because of the historic lack of such standards in Russian banks and companies.

Coopers & Lybrand staff found they could not reconcile the accounts of 1991 with those of 1992 in many instances. The report says the unexplained gaps in figures for many transactions could be explained by mistakes "and also abuses connected with a very high level of unexplained sums, both for accounts within Russia and between members of the Commonwealth of Independent States, in roubles and in hard currency".

The accounts for 1991 are viewed by Coopers as incomplete because of many "secret" accounts, usually military, which were not disclosed. However, Mr Jeremy Foster, a senior Coopers executive in Moscow, said yesterday he now believed the 1992 accounts had no such secrets.

He said that funds from the formerly banned Soviet Communist party which had been allegedly spirited abroad might have passed through the central bank but there was now no means of tracing these movements.

Mr Foster said: "The management of the bank has been trying to concentrate its efforts in the main areas where there are problems, for example, in the clearing systems. We believe that in order to fulfil *its role fully it must* strengthen its internal reporting functions, for example, making it clear what is the status of its loans."

He said that part of the burden on Russia's central bank was the legacy of the former Soviet Gosbank, with its responsibility for the Soviet debts of more than $80bn and an expectation by many politicians that it would continue its practice of automatically *advancing credit to industries.*

Commercial banks and enterprises are now loud in their criticism of the central bank, saying that clearing can take months and that interest rates charged to commercial banks are too high. Mr Victor Gerashchenko, the bank's chairman, is expected to appear before parliament today to present the accounts for 1992.

Russia begins to fray at edges

By John Lloyd in Moscow

THE RUSSIAN Far East region yesterday declared itself a republic, the second region to do so in the past 10 days in *what has become a dangerously* centrifugal trend in Russian politics.

The region's parliamentary deputies, quoted by the Interfax news agency as saying that they had taken the action to *get equal rights in the new* constitution, insisted that their decision was dictated by "economic necessity".

The region, with its capital in Vladivostok, receives some Japanese investment and could expect to be a significant beneficiary from Japanese and other Pacific Rim investment.

Republican status would give it more control over foreign deals. The move would also strengthen the tendency for the Russian regions to *escape from what they see as a* high tax and inflation regime imposed by a remote Moscow government which can no longer give them much in return and can no longer exert discipline on them.

The move came, ironically, as Mr Boris Yeltsin, the Russian president, met Mr Kiichi Miyazawa, Japan's prime minister, in Tokyo yesterday at the Group of Seven summit – a meeting long delayed by Mr Yeltsin.

Japan has effectively limited investment and aid while the issue of the four Kurile islands seized from it by the Soviet Union at the end of the last war are returned.

Last week, the region of *Sverdlovsk declared itself the* Urals Republic – the first of Russia's regions to claim the same status as the 20 "ethno-territorial" republics. In the draft constitution now being thrashed out, republics have *greater representation and* rights than the country's often richer and more populous regions.

Discontent among regional leaders is now much more dangerous for Mr Yeltsin than the *opposition of the parliament,* where splits and backbiting among the deputies and the parliamentary leadership have allowed Mr Yeltsin to ignore it with impunity.

The government is desperately *seeking to convince both the regions and the outside* world that inflation and the fall in production are under control.

Inflation is down to around 15 per cent a month, the rouble strengthened slightly *yesterday to 1050 to the dollar,* and production falls are abating.

However, the underlying engine of inflation, the printing of money by the central bank as credit to enterprises and *agriculture, has been muffled* rather than slowed.

Hunger strike Serb in danger

By Laura Silber in Belgrade

A TEAM of doctors appointed by the government yesterday appealed to the Serbian authorities for the "urgent release" of jailed opposition leader Vuk Draskovic "in order to avoid a fatal outcome".

The condition of Mr Draskovic, who has been on hunger strike for the past week, was "rapidly deteriorating" and there were fears for his life, the doctors warned in a letter to the Belgrade district court.

The medical team warned it could not be held responsible for Mr Draskovic's health if he and his wife Danica, jailed on *June 1 after street protests left* one policeman dead, were not released.

Serbian President Slobodan Milosevic has rebuffed international appeals for the release of Mr Draskovic, beaten badly by police during his arrest. However the Serbian leader may now choose to release Serbia's most popular opposition politician rather than risk unrest in the event of his death.

The sharp deterioration in Mr Draskovic's health came as Mr Thorvald Stoltenberg and Lord Owen, international peace mediators, arrived in Belgrade to urge the leaders of warring Serbs, Croats and Moslems to end the bloodshed in Bosnia. They met Mr Milosevic and his Yugoslav counterpart after talks on Wednesday with Mr Franjo Tudjman, the Croatian president.

Asked what would happen if all three sides failed to reach an agreement by July 20, a deadline set by Bosnian Serb leaders for Moslems to back the republic's partition, Mr *Stoltenberg said: "If we don't* find a compromise by that date, I fear an intensification of the war."

Mr Radovan Karadzic, the Bosnian Serb leader, has warned that his forces would push for the total defeat of the mainly-Moslem Bosnian army if they refused to fall in line on the partition.

Bosnia's Moslems are confined to isolated pockets and are at the mercy of their Serb and Croat enemies.

Serb commanders have all but stopped the flow of overland aid to Sarajevo, without water and electricity for the past month. The World Health Organisation said hospital *services in Sarajevo were on the* brink of collapse and warned of an impending catastrophe on a scale unseen in Europe "since the dark days of the second world war".

"Having suffered the unspeakable for more than one year, the people of Sarajevo, especially the wounded and sick, are now facing the imminent collapse of what is left of the health infrastructure," said the strongly-worded letter to UN Secretary General Boutros Boutros Ghali.

Hungary raises interest rates, devalues forint

By Nicholas Denton in Budapest

HUNGARY yesterday devalued the forint by 3 per cent and announced a 3 per cent rise in *a key interest rate.*

The Hungarian currency is linked to a basket divided equally between the dollar and the Ecu, and National Bank of Hungary passed off the devaluation as a "technical step" in response to the dollar's rise against European currencies.

This devaluation follows a 1.9 per cent devaluation in June, adding to speculation that the Hungarian authorities' exchange rate policy is softening.

Pressure for a fundamental shift in policy has been growing as Hungarian exports have fallen and the external trade balance deteriorated.

Exports in the first four months were down 27.2 per cent compared with a year earlier, depressed by recession in Hungary's main markets of Germany and Austria.

The current account deficit amounted to $423m for the first two months, leading some analysts to estimate that the shortfall for the year could be as high as $2bn, about 8 per cent of gross domestic product.

The NBH is financing the deficit with a record spree on international capital markets. Yesterday the central bank announced two more bond issues – a five-year Y50bn ($460m) bond in Tokyo and a £100m ($66m) bond in London. These latest issues take the NBH's borrowings for the year *so far to $2.7bn.*

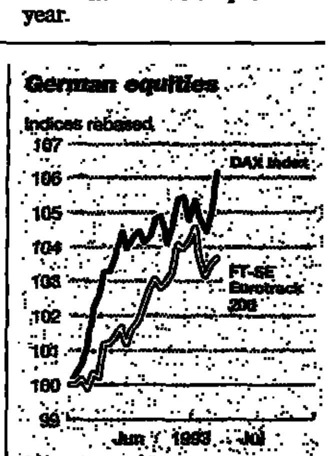
Despite the deterioration in Hungary's external balance, recent bond issues have sold relatively well and rating agency Standard & Poor's said yesterday it had reaffirmed the NBH's BB plus rating.

The Hungarian authorities yesterday sought to offset the inflationary impact of the devaluation with a 3 per cent rise in the central bank's open market security repurchase rates.

Raising interest rates should ease the government's difficulties in financing its large budget deficit at a time when savings are dropping.

The conservative government's proposal to increase value added tax on food and other basic items survived a parliamentary vote on Wednesday with a majority of 13 votes. Despite the anticipated revenues from VAT, this week's emergency budget still leaves Hungary needing to finance a public-sector deficit of 6.8 per cent of GDP this year.

An International Monetary Fund delegation is in Budapest and is expected to respond to the latest economic moves today.



Source: FT Graphite

Optimism fuels jump in German markets

By David Waller in Frankfurt

GERMANY'S stock market surged to a year's high yesterday amid an outbreak of optimism about the outlook for the country's economy.

The DAX index of 30 leading shares closed yesterday afternoon at 1,783, a rise of nearly 64 points, or 3.7 per cent, on the day.

This alone was more than twice the gains achieved by Europe's other leading stock exchanges yesterday and in after-hours trading it rose further to 1,799, a gain of more than 17 per cent since the beginning of the year.

"This is not the beginning of the second great economic miracle in Germany," said Mr Klaus Friedrich, chief economist at Dresdner Bank, *Germany's second biggest bank.* "But it shows that market assessments about the German business cycle have been overly pessimistic."

Economists and stockbrokers said that the increase reflected a number of factors, including the likelihood of further cuts in interest rates following the Bundesbank's decision to *lower its official rates last* week and a growing sense that the low point of the German economic cycle has been reached.

"When we look back on the German economy from the vantage point of 18 months' time, it will be clear that the low point in the economic cycle was reached in the first *quarter of 1993," said Mr Ulrich* Schütte, a managing partner of Schröder Münchmeyer Hengst, a German bank majority-owned by Lloyds Bank of the UK.

This was one of the reasons given by the Bundesbank for its cuts in its Lombard and discount rate to 8.25 and 6.75 per cent respectively last week.

It has subsequently been born out by the news this week that new industrial orders rose by 4 per cent in May compared with the previous month. Economists are hopeful that the economy will grow from the first to second quarter, *although for the year as a* whole it is likely that GNP will drop by at least 1 per cent.

See World Stock Markets

Ukrainian PM makes crisis call

By Chrystia Freeland in Kiev

UKRAINE'S prime minister, Mr Leonid Kuchma, said yesterday the only solution to the country's mounting economic crisis was to declare a national state of emergency.

This was almost immediately rejected by President Leonid Kravchuk who declared he would rely on his authority, the people and the country's top industrialists to bring the country out of crisis.

Mr Kuchma described Ukraine's economic situation as worse than at any time *since independence nearly two* years ago.

He blamed it on the central bank and higher prices for Russian oil and gas. "We must at last understand that just by printing more money we will not make ourselves richer."

Western economists estimate the monthly inflation rate in June exceeded 50 per cent. "Parliament does nothing more than take decisions about increasing salaries," he added.

The reform-minded prime *minister, just back from a visit* to the Baltic republics, said Ukraine lacked the determination to implement reforms.

"Of course, there are paths to cope with this [higher energy prices] as the Baltic republics show," Mr Kuchma said. "But we have many internal problems. The key thing is for the people to have a desire to pursue reforms."

Mr Kuchma complained, too, that the continued political struggle between himself, the president and the parliament was paralysing the country. However, Mr Kuchma lacks the political authority to invoke a national state of emergency and his statements rekindled the stand-off with Mr Kravchuk over who was to direct government policy and how to tackle the country's ailing economy.

Their differences appeared to have eased last month with an agreement allowing Mr Kuchma to formulate his own policies and a parliamentary vote to stage twin referendums of confidence in parliament and the president.

The prime minister also urged Ukraine to declare itself a temporary nuclear power. He said Ukraine had no plans to actually control the nuclear missiles on its territory but had to assert ownership.

Arts chief accused of corruption

By Robert Graham in Rome

MR Francesco Susini, the director-general of the Culture Ministry and for more than a decade the most influential official in the Italian arts world, was yesterday arrested on charges of corruption and abuse of office.

His arrest coincided with the arrest of Mr Fernando Pinto on charges of masterminding the October 1991 fire that severely damaged the Bari opera house of which he was the director. Mr Pinto was alleged to have acted in concert with two local mafia bosses to reap benefit from the destruction of one of Italy's best known and recently refurbished opera houses.

Magistrates have been investigating the Culture Ministry for three months. A former minister has already been implicated. However, Mr *Susini, who helped establish* the ministry in 1977, has been the most powerful figure controlling its large budget.

He was arrested in connection with an allegedly inflated L28bn (£12m) contract to restore an 18th-century castle at San Nicola Arcella, near Cosenza in Calabria. Also involved in the same investigation is Mr Maurizio Misasi, the son of the principal Christian Democrat boss in the region.

In another development, Mr Adriano Aragozzini – the *former organiser of the San Remo* song festival, Italy's most popular song competition – was *held after allegedly having* paid kick-backs to political parties over the organisation of the contest.

Italian parties favour 1994 poll

By Robert Graham in Rome

A CROSS party alliance in the Italian parliament has hardened in favour of holding national elections in 1994 instead of autumn this year.

This would allow time for new electoral laws to be approved. It would also allow for matching legislation on new constituencies, broader constitutional changes as well as a proper debate on the 1994 budget plus a stable framework to speed privatisation.

Deputies and senators would also be assured of generous pensions if the life of the present legislature lasts two years through to next spring.

But the populist Lombard League and the former communist Party of the Democratic Left (PDS) have insisted on autumn elections.

They have argued the present parliament with one in six deputies under investigation is discredited and no longer reflects the changing fortunes of the political parties.

The two also believe they would boost their share of the vote in autumn elections since *the other parties would not* have sufficient time to reorganise or form new alliances.

Over the past few days the *PDS leadership appears to* have changed its mind.

In part this represents PDS concern over the rise of Mr Umberto Bossi's Lombard League, which has established itself as the main force in the north.

The PDS sees the League as divisive and potentially destabilising for the unity of Italy and is accordingly reluctant to allow Mr Bossi any further electoral advantage.

At the same time the PDS is anxious to try and put back on the agenda some of its ideas on *electoral reform.*

Both the senate and chamber of deputies have agreed their individual reforms for the system of proportional representation: but these could still be changed as each house must approve the other's legislation.

If a deal is struck on elections in 1994 with the Christian Democrats and their allies in parliament, who still represent the albeit discredited majority, there is less rush to complete electoral reform before the summer recess.

Independent of the PDS change of heart, Mr Marco Panella, the Radical leader, has managed to gather more than 200 deputies of all parties behind his own pressure group to prevent elections in the autumn.

Romiti investigated over party political financing

By Robert Graham

MR CESARE ROMITI, chief executive of the Fiat group, is being formally investigated by Turin magistrates for alleged illicit financing of political parties.

He was interrogated by the magistrates, accompanied by a lawyer, for three hours on Wednesday and is expected to undergo further questioning.

Mr Romiti was placed on the list of people under investigation for alleged illicit party financing by Milan magistrates at the end of May but has yet to be interrogated by them. Earlier he had offered the full co-operation of Fiat in clearing up the group's illicit funding of parties.

The action of the Turin magistrature relates to separate episodes and they have already taken matters a stage further by questioning him. Their move follows statements by two prominent local Socialists, Mr Giusy La Ganga, a parliamentary deputy for the city, and Mr Beppe Garesio, a former editor of Avanti!, the Socialist party's daily newspaper.

According to the latter two people, discussions were held *in Fiat's Turin headquarters* on three occasions between 1988 and 1990 about how the group should help fund the Socialists.

Mr Romiti is understood to have denied any discussion of funding the party and said the conversations focused on political and cultural matters.

Mr La Ganga has been served with seven separate notices from Turin magistrates that he is under investigation for alleged corruption, and a further two *from Milan* magistrates. Mr Garesio has already received three separate notices.

Last week, Mr Giovanni Agnelli, Fiat chairman, admitted at the annual meeting that the group had paid a previously undeclared L50bn ($32m) in kick-backs to politicians over the previous 10 years. Defending the behaviour of some 20 executives in six companies, Mr Agnelli claimed the group had been forced to pay by the politicians.

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Clinton budget plan faces tough passage

By George Graham in Washington

THE US Congress returns to Washington next week for a month of hard negotiation over the fate of President Bill Clinton's budget package.

Mr Lloyd Bentsen, treasury secretary, said in Tokyo yesterday that the final version of the budget legislation could be ready for Mr Clinton to sign by the first week of August, although some congressional staff see that as optimistic.

The August recess will provide a deadline that is expected to force a compromise.

The administration will essentially be left on the sidelines as negotiators from the House of Representatives and Senate seek to reconcile their all but irreconcilable versions of the omnibus budget bill.

Mr Clinton made concessions on almost every aspect of his budget plan in order to win narrow victories in both chambers – by 219 votes to 213 in the House, and through the intervention of Vice-President Al Gore to break a 49-49 tie in the Senate – but the concessions he made were different in each chamber. Democratic leaders in both chambers now say that they cannot move far from their version of the budget without jeopardising the slender majorities they so painstakingly crafted.

The key difference between the House and Senate bills is the energy tax. The House preserved the outlines of the broad energy tax originally proposed by Mr Clinton, though it exempted a number of specific sectors and increased the basic rate proposed to 26.8 cents per million British thermal units.

Opposition from oil state senators, on the other hand, forced the Senate to back off from the Btu-based tax and instead opt for a transportation tax of 4.3 cents per gallon.

While the House may be willing to accept some changes in the energy tax it passed, this wholesale revision seems likely to displease both environmentalists, who were already angry that a string of exemptions had gutted the tax of much of its energy-conservation effects, and westerners, who dislike petrol taxes because of the long distances they have to drive.

Mr Bentsen said only that he expected an energy tax to be included in the final bill.

Other differences involve House efforts to provide money for programmes for the poor and for disadvantaged inner cities. The Senate reduced by more than a third the House's plan to expand the earned income tax credit for low-income wage earners, and eliminated altogether a plan to create "empowerment zones" offering investment incentives to businesses.

Besides these differences of substance, the House-Senate conference promises a political and procedural tussle.

Republican senators have already warned that they will invoke a Senate rule barring "extraneous" measures from budget legislation, threatening a number of measures in the House bill. This has prompted an angry response from Mr John Dingell, the powerful and irascible chairman of the House energy and commerce committee, denouncing the Senate for causing gridlock through this "arcane technicality" of a rule.

Midwest farmers, devastated by Mississippi river floodwaters, are forced to flee by boat

Mexican inflation at 21-year low

By Damian Fraser

MEXICO has achieved its long awaited goal of single-digit inflation, with annual inflation to June falling to 9.8 per cent, from 10 per cent the previous month.

This is the first time Mexican inflation has fallen below 10 per cent since 1972. The annual rate was running at 159 per cent as recently as 1987.

Inflation for the month of June was 0.5 per cent.

The government has made cutting inflation central to economic policy, and greeted yesterday's news with relief. A senior government official said that if it stayed under control there might be room to loosen fiscal policy.

Mexico's PRI loosens a 64-year grip

By Damian Fraser in Mexico City

MEXICO'S governing party has proposed far-reaching political reforms that go a long way to meeting opposition demands for a more independent electoral system and more equitable competition between political parties.

The reforms were unveiled on Wednesday and are to be debated in a special session of Congress. They would set ceilings on party spending, give parties guaranteed access to the media, hand over power to electoral tribunals, and increase opposition presence in Congress by selecting a third of the Senate according to proportional representation.

While the proposals are unlikely to threaten the dominance of the ruling Institutional Revolutionary party (PRI), they were immediately hailed by independent observers. Federico Reyes Heroles, editor of the independent magazine Este Pais, said: "It meets all the central demands of the opposition. This is an abrupt step in the modernisation of Mexico."

The opposition itself was more cautious, describing the still incomplete proposals as a step forward but still insufficient. However the centre-right National Action party is expected to back the reforms. Most of the opposition has come from within the PRI, with many of its congressmen expressing incredulity at the changes.

The proposed reforms come as President Carlos Salinas de Gortari enters his last year in power and are intended to defuse opposition charges before next year's presidential vote that Mexican elections are neither free nor fair. PRI has been in power in one form or another for 64 consecutive years, and has long been criticised for rigging elections, grossly outspending opposition parties in campaigns, and ramming legislation through Congress.

While such mechanisms have helped the PRI stay in power, electoral irregularities and protests have undermined the legitimacy of the PRI in and out of Mexico and damaged its capacity to govern. With the opposition in some disarray, President Salinas has gambled that his party can easily afford to concede opposition demands without endangering its hold on power.

Under the new rules, the government would allow independent companies to audit the voting list and distribution of voting credentials and would accredit independent observers. Electoral tribunals would verify congressional elections, and not, as now, Congress itself. Results would be released immediately.

They would limit the maximum contribution by an individual or organisation to a political party, and the amount that a party might spend on campaigns "to prevent the disparity in resources decisively influencing the electorate". Contributions could only be given to parties, and not to individuals.

The PRI has also proposed that each state be given three rather than two Senate seats, with the third senator coming from a minority party that obtains more than a set percentage of the vote. The law would also scrap the so-called governability clause, which guarantees a majority in the House of Deputies to a party which obtains more than 35 per cent of the vote. No one party will be allowed to have more than 65 per cent of the deputies.

The changes should make the electoral process more transparent, and Mexico's Congress more powerful. Even if the reforms make the job of winning elections and passing legislation more difficult for the PRI, Mr Salinas is prohibited from the constitution from running again for president, and will not have to suffer the consequences.

Two face BCCI bribe charges

By Patrick Harverson in New York

TWO US-based Indian businessmen were charged yesterday by the US authorities with bribing bank officials and fraudulently obtaining more than $27m (£18m) in loans from five banks, including the defunct Bank of Credit and Commerce International.

A third man, a former high-ranking executive at the Bank of Oman's New York office, was charged with accepting bribes from the two businessmen.

Mr Robert Morgenthau, the Manhattan District Attorney who brought the charges, said the indictments stemmed from his department's ongoing investigation into the collapse of BCCI.

The three men indicted yesterday were Mr P S Prasad, his brother, Mr Murali Ponnapula, and Mr Nasim Syed, a former Bank of Oman official.

In the indictment, they are alleged to have falsely obtained $16.8m in loans from BCCI, and the rest from the Branch Banking and Trust Company of North Carolina, and US branches of the Bank of India, the State Bank of India, and the Bank of Oman.

Mr Morgenthau said some of the money was used for the personal benefit of Mr Girish Sharma, an associate of Mr Prasad and the brother of India's petroleum minister.

NEWS IN BRIEF

FBI may support gun control law

THE Federal Bureau of Investigation is reported to be on the point of coming out in favour of tougher gun control legislation, George Graham writes from Washington.

Mr William Sessions, the FBI's director, is understood to have written to Ms Janet Reno, the US attorney general, asking her to approve a six-point FBI policy statement calling for stricter licensing of gun dealers and handgun owners, more restrictions on assault weapons and a ban on the sale of ammunition capable of piercing bulletproof vests.

Mr Sessions, who is battling to hold onto his job after accusations of ethical violations, is understood also to propose backing the Brady bill, named after Mr James Brady, the White House press secretary shot during an assassination attempt on former President Ronald Reagan.

President Bill Clinton has promised that he will sign this bill, which would impose a five-day waiting period before any handgun purchase to allow the police time to conduct background checks, if Congress passes it.

The statement would be an unusual entry into the political arena for the FBI, but the bureau would only be following a wide array of senior law enforcement officers across the country, who have become increasingly disenchanted with the gun lobby led by the National Rifle Association.

The National Association of Chiefs of Police reports that 77.7 per cent of its members now favour the Brady bill.

Caricom and Cuba in trade agreement

In a diplomatic triumph for Cuba, its neighbours in the Caribbean Community (Caricom) have agreed to set up a joint commission with the island to oversee co-operation in areas such as trade and the sugar industry, writes Canute James in Nassau, the Bahamas.

The agreement followed a call by the 13 Caricom nations for the lifting of the 30-year-old US trade and economic embargo against Cuba.

The commission will seek to increase trade between Cuba and Caricom and foster co-operation on sugar cane yields and sugar by-products. It will also promote the development of livestock and fisheries and combine biotechnology research.

The US has not welcomed the agreement. "Caricom is made up of democratic countries and Cuba is not democratic," said a senior US State Department official attending the conference.

Attacks on tourists and trying to overthrow government

Seven hanged for terrorism in Egypt

By Mark Nicholson in Cairo

SEVEN Islamic militants were hanged in Egypt yesterday on charges of attacking foreign tourists and seeking to overthrow the government – the greatest number of executions for political crimes in the country's recent history. Five were hanged in 1982 for assassinating President Anwar Sadat.

The seven were convicted by a military court in April of six separate bomb and firearm attacks on tourist buses and Nile cruisers late last year, in one of which a young Englishwoman was killed.

The men were among 49 tried in the case, including six in absentia, who had proclaimed loyalty to the Gamaa al-Islamiyya extremist group which has claimed responsibility for attacks on tourism and security forces over the past year.

A total of 22 individuals have been sentenced to death in trials arising from politically-motivated violence since December last year. President Hosni Mubarak has made a point of publicly ratifying each one to signal his government's resolve to crush the threat from Islamic extremists.

Five more men face the scaffold later this month after being convicted in May for their part in four bombings and an attempt on the life of Mr Safwat Sherif, the information minister, who escaped a shooting near his Cairo home with light injuries last April. Two men were hanged in June – the first executions for political crimes in Egypt since 1982 – and the remainder of the 22 sentences were given in absentia.

The government's determination to mete out the severest penalties possible on Islamic militants comes despite rising opposition from western and domestic human rights groups both to the use of the death penalty and to the conduct of trials by military courts.

President Mubarak shifted authority over such cases to military courts in February to ensure the speediest possible process.

Yesterday's executions come a day after publication of Amnesty International's annual report, in which it repeats opposition to use of the death penalty and reiterates allegations of torture, detention without trial and unfair practices in the military courts.

Just after yesterday's hangings took place in a Cairo prison, in sequence between 7am and 10am, the Arab Organisation of Human Rights condemned in a press conference the use of military courts, which were "outside the normal legal framework", said Mr Mohammed Fayek, its secretary general.

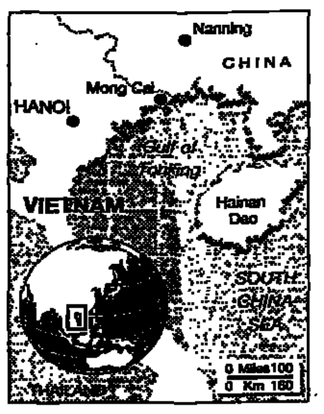
However, no such opposition is at all likely to deter President Mubarak from ratifying further death sentences which may result from trials due before these courts in the next few weeks.

In the biggest of these, a total of 700 alleged members of the Jihad extremist Islamic group are being tried in two concurrent cases, facing charges which include the attempted assassination of public figures and incitement to rebellion.

Moreover, the government has still either to apprehend or to bring charges against those responsible for an apparently random series of nail-bombings in Cairo since mid-May which have killed 16 Egyptians.

Border boom town sets lesson in trade

By Iain Simpson in Mong Cai, on the Vietnam-China border



FOR A DECADE, the town of Mong Cai was almost deserted. As tensions between Vietnam and China spilled over into a bloody border war in 1979, local people were driven out of their homes and forced to move elsewhere. But since they were allowed to return to their homes in 1989, the town's inhabitants have made up for lost time.

Today, Mong Cai is a boom town, the main centre of rapidly expanding border trade between the two former enemies. Every day, hundreds of traders load their goods into small boats that chug up and down the river between Vietnam and China.

They carry seafood, coconuts, fruit and basic consumer goods into China. On the return journey, they bring construction materials, machinery and other consumer durables to Vietnam. Local government officials estimate that the two-way trade is worth tens of billions of Dong, or millions of dollars, every month.

At Mong Cai, there's a thriving market selling Vietnamese produce to Chinese traders and Chinese imports to their Vietnamese competitors. Currency dealers, almost all of them women, do a roaring trade, exchanging Vietnamese Dong for Chinese Renminbi. One dealer said she makes a good living now that the government encourages trade and free enterprise.

There's plenty of evidence that the local authorities on either side of the border have good relations. They meet frequently and have regular exchange visits to solve any problems that might hinder the trade on which they are both thriving.

The volume of trade would be significantly larger, though, if the two countries could get on as well. Until 1978 a small amount of trade and other border traffic went over a bridge across the border, the so-called Friendship Bridge built in the 1960's by Chinese engineers.

The bridge was blown up by Vietnamese Army sappers to stop the Chinese army driving tanks across the border in 1979. Both sides have now reconstructed their halves of the bridge but it hasn't yet been reopened because of an acrimonious dispute over exactly where in the river the border lies.

Once the bridge reopens, local officials estimate that border trade will at least double. But until Hanoi and Beijing can resolve their differences over the precise position of the border, all trade will have to be carried on small and inefficient boats.

Already, though, Mong Cai is living proof that the economic reform policies being preached in Hanoi are now being practised throughout the country. Every day, dozens of heavily-laden buses and trucks make the journey to the border from Hanoi and other areas of northern Vietnam, as well as from towns along the east coast and as far afield as Saigon, the former capital in the far south.

There's also a major building boom going on. Local inhabitants who have returned to the town and other people who have moved in to profit from the border town are constructing new and more elaborate houses for their families. And there's every sign that the trading boom will continue.

Mr Nguyen The Phong, the vice chairman of the local government, wants to see the area develop as a tourist resort as well as a trading post. Already, he says, his local authority has signed a joint-venture deal with a Hong Kong company to build a hotel overlooking the five-mile beach just outside Mong Cai.

For Mr Phong and his local authority, the main drawback to dreams of expansion is transport. Mong Cai has good beaches and excellent seafood but the nine-hour drive from Hanoi along narrow, potholed roads is enough to deter all but the most determined tourists.

Mr Phong, however, has a solution: luckily Mong Cai has an old airfield, built by the French in the days when they ruled Indo-China.

"Refurbish that," he says, "and people could come here for the weekend."

An Israeli soldier wounded in an ambush in southern Lebanon yesterday is rushed to hospital near Haifa. He was injured in a Palestinian roadside bomb and ambush attack in Israel's self-styled security zone on a tank-led patrol, Reuter reports from the area. Two other soldiers were killed and a fourth was also injured. The attack was the bloodiest on Israeli forces in the zone in three months. Israel said its forces killed one guerrilla after a chase and artillery pounded targets north of the zone.

Nigerian parties to link with military

By Paul Adams in Lagos

NIGERIA'S military regime has gained provisional backing from both the country's political parties to set up a joint interim government of unelected civilians on August 27 instead of the democratically elected government promised by President Ibrahim Babangida.

Yesterday's agreement by the Social Democratic party (SDP) and National Republican Convention (NRC) to take part underlines the dominant position of the armed forces, which annulled last month's presidential elections after it became clear that the SDP had won.

The plan weakens the chances of Mr Moshood Abiola, the successful SDP candidate in the June polls, becoming Nigeria's next president.

A diplomat in Nigeria yesterday described the military's handling of the crisis since they refused to uphold the SDP's victory as "a very good tactical withdrawal".

"The people have expressed a view at the ballot box, but the military retain control, leaving Abiola with no cards to play."

The civilian protest against the annulment of last month's polls subsided yesterday, two days earlier than planned. Businesses, government offices and transport resumed normal operation in the commercial capital after a crackdown on security and deployment of troops quelled widespread disorder. Several key members of the Campaign for Democracy, which organised the protest, have been detained by security forces.

On Thursday Mr Abiola said he had no hand in the demonstrations, desite the overwhelming support they showed from his fellow Yorubas in Lagos and other parts of the south-west. He dissociated himself from the violence and destruction arising from the protests, called for order and said: "Justice will prevail."

This is a far cry from Mr Abiola's message last week to defy the military's annulment of the polls and "damn the consequences".

The ruling National Defence and Security Council will meet in Abuja today to discuss the proposals of the two army-created parties, which want to finalise details in a joint committee with the military.

It is understood that the purpose of the interim administration would be to hold democratic presidential elections.

PLA seeks cash for its ploughshares

Simon Holberton reports from Hong Kong

IN BEATING its swords into ploughshares China's People's Liberation Army has turned to the outside world for assistance – making China the only military power seeking to have its "peace dividend" underwritten by foreign investment.

On show in Hong Kong this week is an exhibition – decked with banners proclaiming "peace, development, co-operation" – of industrial hardware which the PLA's factories across China produce for civilian use.

On hand for the exhibition – the first to be held outside China – are senior officials from the Chinese central government's Commission on Science, Technology, and Industry for National Defence (Costind), which oversees the mainland's massive armaments industry and reports directly to the PLA high command.

One of the most important is Ms Nie Li, vice-director of Costind, wife of General Ding Henggao, Costind's director, and daughter of the late Marshall Nie Rongzhen, father of China's nuclear weapons industry.

At Monday evening's gala opening she rubbed shoulders with some of Hong Kong's leading tycoons, including Mr Li Ka-shing, Mr Stanley Ho, Mr T T Tsui, and Mr Larry Yung, the son of Mr Rong Yiren, China's vice-president and head of Citic Pacific, one of Beijing's biggest companies in the colony.

The presence in Hong Kong of the top executives from China's military-industrial complex selling their wares and trying to raise much-needed foreign capital reflects two developments which have occurred since 1978 when the mainland embarked on economic modernisation.

The first is the encouragement PLA factories were given to switch their production from military hardware to civilian goods. This followed the cutting of the PLA's strength from about 4m to 2.5m. Nearly 70 per cent of the output of China's defence industries is classified as "civilian" and the mainland wants to increase the share of civilian output further.

The switch to civilian output has already made China's military factories dominant in some consumer industries. The six main defence industries – nuclear, astronautics, aeronautics, ordnance, electronics and shipbuilding – produce more than 60 per cent of China's output of motorcycles, washing machines and electric fans. By the end of the 1980s the civilian production of these six industries accounted for about 20 per cent of China's total machine industry output, by value.

The second factor pushing the PLA's factories into the outside world is of more recent origin. In light of Chinese arms failures in the Gulf war, the PLA has had to diversify its sources of foreign revenue to compensate for its declining ability to sell arms abroad. Also, it has stepped up procurement of superior quality foreign-made military hardware, especially from Russia, spending an estimated \$2bn (£1.3bn) in the past couple of years.

To fund these weapons acquisitions and further modernise the PLA's industrial base, the military needs money and foreign know-how. Although the PLA was one of the few arms of the Chinese government to receive a real, inflation-adjusted, rise in its budget this year (up 13.5 per cent to \$7.3bn), its thirst for investment funds has remained unquenched.

Already two of the PLA's directly-controlled companies have set up in Hong Kong. China Poly group, which is owned by the procurement department of the PLA general staff, has acquired a Hong Kong listed company, Continental Mariner. The other, China Xinxing corporation, which is owned by the PLA's general logistics department, established a representative office last October.

The purpose of these companies, and many more mainland companies like them, is to raise foreign equity for investment on the mainland. Chinese law defines Hong Kong as "foreign" for the purpose of direct investment; mainland companies get taxed at about half the national rate if foreigners invest in them.

Companies controlled by Xinxing – which owns about 100 factories throughout China making garment, shoes, electronic products and military supplies – have this week signed contracts with foreign investors worth \$1.25bn. The largest, a Yn4bn (£460m) property development in Beijing, is a joint venture with the Singapore government-controlled DBS Land, which will take 60 per cent of the project.

Another of the exhibitors, China North Industries Corporation (Norinco), the largest seller of Chinese made weaponry on the world market, is seeking \$2.2bn of foreign investment for 166 joint-venture projects on the mainland. These ranged from a \$14m heavy-duty truck manufacturing venture in Sichuan, to \$10m for a motorcycle parts factory in Henan, to a hotel development in Shanxi requiring investment of \$7.6m – underlining the scope of the Chinese military's enterprises on the mainland.

Separately, the China Association for the Peaceful Use of Military Industrial Technology was offering foreign investors the opportunity to participate in 45 joint ventures – many involving laser technology – which it hopes will raise \$243.3m.

NEWS IN BRIEF

UN team to seal Iraqi missile sites

THE UN last night sent a team of weapons inspectors to Bagdhad to seal two missile testing sites at which the Iraqi government has refused to permit the installation of camera monitors, Michael Littlejohns reports form New York.

Announcing the move at a UN press conference, Mr Rolf Ekeus, head of the inspection programme, said it was a way "to open another door up" for Iraq, and if possible, avert a confrontation.

However, he added, "if Iraq should break these seals we are back in a very serious situation." He also stressed that the measure was an interim one to ensure that Iraq did not carry out testing while the monitoring problem was unresolved.

Mr Ekeus voiced hope Iraq still would enter high-level technical talks with the UN in New York next Monday to try to sort out many outstanding problems concerning the elimination of its nuclear, chemical and missile capability.

Hyundai peace talks resume

Workers at Hyundai, South Korea's largest conglomerate, resumed partial walkouts yesterday after staging a one-day general strike as negotiations began again between labour and management over a pay agreement, writes John Burton from Seoul.

But the Hyundai trade unions warned industrial action could escalate again if the government intervened with a show of force. The South Korean government indicated it would not prosecute trade union officials for the illegal strike action if they displayed flexibility in negotiating with Hyundai.

Indian N-plant shut down

A Madras nuclear plant will be shut down by the end of the month for an overhaul, the India's Atomic Energy Regulatory Board announced yesterday, Reuter reports from Delhi.

Mr and Mrs Middle Japan make cautious party switch

Robert Thomson takes tea and talks politics with an ordinary family

選挙

Japanese elections

WITH A slight dent in their white Toyota and a crowded 90-minute train ride to central Tokyo, Tadaaki and Toshie Koizumi are self-consciously middle Japanese. They buy vegetables from a local co-op, have a restless 20-year-old daughter who wants to live abroad, and intend to break the voting habits of a lifetime at the coming election.

Tadaaki is an engineer at East Japan Sugar Industries, linked to the Mitsubishi family of companies, while Toshie works part time at the local school preparing lunches. Kneeling around a coffee table, they take green tea and discuss the candidates in the No. 1 constituency in Chiba, where corruption is an unsurprising part of political life.

"There's not enough talk of policies. People keep talking about reform, but it's not clear what they mean," Tadaaki said. "We don't get clear answers on things like taxation or the defence forces."

Both were raised in households loyal to the ruling Liberal Democratic party, but Tadaaki, 48, and Toshie, 45, have never voted LDP. They are swinging voters this year, but the party will not get their support on July 18, when a general election is likely to leave Japan with a coalition government and the expectation of further instability.

"We have always voted for the Socialist party. We realise that they have problems with their policies, but we thought that a strong Socialist party could provide a balance against the LDP. We never really thought they could win an election," Tadaaki said.

In Chiba No. 1, five seats are to be contested by nine candidates, typical of the multi-seat system in Japan. If reforms are introduced after the election, the electoral boundaries would be narrowed and only one representative chosen. Voters would also select about half the total of MPs through proportional representation.

All the old and suddenly-surfaced parties are represented. There are two LDP candidates, including one who has ties to Tadaaki's soccer club, which inspires a certain affection in him. Another sitting LDP member has rebelled, joining the Japan Renewal party, formed by Mr Tsutomu Hata, the former finance minister. To the Koizumis' eye, the JRP is indistinguishable in personality and policy from the LDP.

Nor are they much impressed by Komeito, the party backed by Soka Gakkai, the Buddhist movement, which tends to do well in times of low voter turnout – the party can count on the faithful to show their devotion at the polling booth. Komeito has one Chiba seat, and volunteers have started the ring-around and the door-knocking to ensure that it is retained.

The Koizumis are still fond of Mr Kenichi Ueno, the former Socialist party representative, and may have voted for him, had he not resigned last year after a European sojourn in the company of a gangster and a golf course developer. Mr Ueno, one of the more doctrinaire members of his still strongly Marxist party, was unable to resist temptations common to Japanese politics.

He admitted that Mariya, the developer and stock speculator, paid Y300,000 (£1,860) a month towards his office expenses, and police are investigating the approval of a Mariya-built golf course – a Chiba graveyard was moved to make way for the clubhouse. Mariya officials also boasted that they regularly supplied Mr Ueno's fridge with fine cuts of Japanese beef.

"I think it's very unfair. I was surprised about the links to golf courses and so on, but he took nothing like the amounts LDP politicians have pulled in," Toshie said.

The absence of Mr Ueno, and his party's inability to reform itself have prompted the Koizumis to look elsewhere for the first time, probably to the Japan New party. The JNP, formed by a popular provincial governor, did surprisingly well at a Tokyo city election last month, and will make or break a new coalition government after the election.

Toshie and Tadaaki are still uncertain about the JNP's policies, which are pro-reform but vague. They worry about the dispatch of Japanese troops to the UN peacekeeping operation in Cambodia, fearing that it could be the start of a more aggressive military policy. And they are bothered by a separate military issue, the rusting army trucks dumped in a plot opposite their home.

Tadaaki and Toshie Koizumi at home: swinging voters who may support the Japan New party

The Koizumis are unsure whether the coming election will lead to a clean-up of Japanese politics or of their rubbish mountain, but they admit to more than the usual excitement. Most interesting, Tadaaki says, is that "you can't be certain" that the LDP will win, as it has since 1955.

Both are certain to vote, but their 20-year-old daughter is unlikely to bother. "She has absolutely no interest whatsoever in politics," said Toshie. It is a matter of concern to them that, at the turning point in Japanese politics, their otherwise active daughter has been struck down by apathy.

General agreement to end all the talk

Frances Williams on the feeling that this time the new Uruguay Round deadline is for real

GATT

THE long-dormant Uruguay Round of global trade talks will get under way again in Geneva on Monday when negotiators from the so-called Quad countries - the US, the European Community, Japan and Canada - brief trading partners on their tariff-cutting deal reached in Tokyo this week.

It is the signal the 100-plus nations taking part in the round have been waiting for since January, when US and EC negotiators failed in a last-ditch effort to come up with a market access package before President George Bush left office. Now trade officials have just five months to conclude the complex and wide-ranging Uruguay Round package before US negotiating authority expires on December 15.

This is the fourth successive end-of-year deadline for the round, which was launched in Uruguay in 1986 - but officials are adamant that it is the last.

"Every indication suggests that this time the deadline is the deadline," Mr Peter Sutherland, new director-general of the General Agreement on Tariffs and Trade, said earlier this week, warning of the many difficulties still ahead.

The key problem areas are:

● **Tariffs:** The four-way accord between the world's biggest traders has to be accepted by all 111 Gatt members. This is because, under Gatt's non-discriminatory most-favoured-nation rule, they are entitled to benefit from the same trading terms. The terms negotiated by the most powerful traders inevitably form the basic platform for the detailed country-by-country bargaining on individual tariff schedules which are part of the final Uruguay Round package.

Developing nations may well feel the US has not done enough to cut its very high tariffs on textiles, where 70 per cent of its trade is with non-Quad countries. For their part, Washington and the EC are insisting that poorer countries open up their own markets for textiles and other goods.

Elimination of steel tariffs is conditional on concluding a Multilateral Steel Agreement which would outlaw most subsidies to the hard-pressed industry. But the 30-nation negotiations on an MSA, which resumed for two days in Geneva this week, are making little headway and officials say an agreement is unlikely until the present row over US punitive duties on steel imports is resolved.

● **Agriculture:** The Quad agreement did not include a market access deal for agricultural products. These negotiations promise to be stormy. Japan and South Korea are refusing to relax their bans on imported rice, while the US and the 13-strong Cairns Group of farm-product exporting countries are pressing for better access to EC markets. Latin American banana producers have threatened to veto any Uruguay Round accord if the EC does not change its discriminatory banana import regime.

Meanwhile, France has maintained its strong opposition to a deal between US and EC negotiators on overall cuts in farm subsidies and other supports, to be written into the Uruguay Round "rulebook".

● **Services:** The Quad countries did not reach any firm agreement on opening markets for foreign services, though trade officials in Geneva say enough progress was made for the broader negotiations to resume in earnest. In financial services, the US and EC will be pursuing further concessions from Japan and other east Asian nations in bilateral talks to draw up individual schedules of market-opening commitments. In telecommunications, the Quad agreement has paved the way for extended multilateral talks on liberalisation.

However, the US shows little sign of giving way on exempting shipping from multilateral disciplines, while the EC wants to continue restrictions on (mainly American) television programmes, films and videos.

● **Rules package:** Negotiators must finalise the draft package of rules known as the "Final Act" drawn up by Mr Arthur Dunkel, Mr Sutherland's predecessor, in December 1991. Mr Sutherland said this week he was "absolutely committed" to the Dunkel text as a basis for negotiation.

The bulk of the draft, which runs to more than 400 pages, covers 15 subject areas and contains 26 separate agreements, was negotiated between trading partners. But, despite warnings that too many changes could lead to a general unstitching of the carefully-balanced package, the US in particular is pushing for controversial amendments to texts on anti-dumping and subsidies, textiles, intellectual property, environmental standards, and the creation of a strong Multilateral Trade Organisation.

In the minds of many trade diplomats, from both rich and poor countries, the biggest obstacle to a Uruguay Round accord may prove to be US insistence on the primacy of its national trade laws over multilateral agreements, especially in using or threatening unilateral sanctions against "unfair" traders.

Mr Dunkel, with 20 years experience of international trade negotiations, has his own ideas. "Never forget", he mused recently, "that the signing of the Treaty of Rome was held up for four hours because of bananas".

THE TIMETABLE: COUNTDOWN TO A FINAL GATT DEAL

Mon July 12: Negotiators return to Geneva after seven-month lapse. Representatives from 96 countries *not* involved in the quad process receive briefing on what has been agreed bilaterally so far.

July 12-July 31: Gatt signatories meet one-on-one to swap market opening offers. The "most favoured nation" rule means any offer to one country must be extended to all.

End-July: Mr Peter Sutherland, Gatt director general, is expected to call a full meeting of the Trade Negotiating Committee - the umbrella body under which the Uruguay Round is being negotiated - to summarise progress through July, and to define plans for autumn.

August: Gatt summer break. Valuable time wasted.

September 1 - December 15: Negotiations resume. No structure yet firm. Legal drafters for the final text of the Uruguay Round final act will work in parallel, ensuring agreement terms are legally watertight.

December 15: President Clinton's "fast track" authority expires. This authority gives him the right to present a Uruguay Round agreement as a single package, to be approved (or rejected) by Congress in a take-it-or-leave-it way.

Without this, it is assumed that a deal as complex and comprehensive as the Gatt agreement would never get through Congress, since individual paragraphs or chapters could be amended, deleted, or otherwise tinkered with, destroying the balance of compromises that made the deal acceptable to the other 110 Gatt signatories.

January 1 1994: New Gatt agreement comes into effect. Many governments will need to introduce it provisionally, since ratification by national governments could take some time into 1994.

Issues at stake in the negotiations

■ **FARM TRADE:** Liberalisation of farm trade is critical to developing countries frustrated by lack of access to US and EC markets. They are upset at the damage done to world food prices by the dumping of farm surpluses onto world markets, particularly by the EC. Politically powerful farm lobbies in the EC and the US will fight to maintain existing protection.

Winners: Developing countries, and the countries of eastern Europe, who would see enhanced export opportunities and higher world prices. The US, Australia and New Zealand, with efficient farm sectors, should also gain.

Losers: The EC, where the Common Agriculture Policy provides secure farm incomes regardless of global competitiveness, and funds the dumping of large farm surpluses onto world markets.

■ **COMPREHENSIVE TARIFICATION:** Gatt wants to get rid of hidden or easily manipulated forms of protection - including quotas, market sharing arrangements, and other non-tariff barriers to trade - and to replace them with tariffs. These are more transparent, and can be reduced progressively. This is also basically a farm issue, focused on Japanese and South Korean refusal to open their markets to rice markets; the EC's banana import regime; and Canada's farm supply management system.

Winners: Developing countries, and leading grain exporters like the US; Latin American banana exporters.

Losers: Protected Japanese and Korean farmers; banana exporters in the Caribbean and other former colonies with preferential access to the EC market; protected Canadian dairy farmers.

■ **TEXTILES** exports are critical to many developing countries, who have had most exports controlled by quotas under the Multifibre Arrangement. The Uruguay Round deal will phase these out over 10 years, leaving national tariffs as the only barriers to trade.

Winners: Developing countries should see exports to the US and the EC rise; the EC and Japan, where high quality products now kept out of the US market by high tariffs will find new demand.

Losers: The US, where producers will in the next decade lose both quota and tariff protection; developing countries, who will have to open markets to imports over a similar period.

■ **STEEL:** Global over-capacity, and a complex history of subsidy, have led to oversupply in many products. Recession has cut demand for steel. New technology has destroyed the viability of many older integrated steel mills. Producers across the world have fought for protection, and trade management, while struggling to modernise and rationalise. The history of the Multilateral Steel Agreement is tangled in these conflicting forces.

Winners: Exporters to the US, now blocked by penal dumping and countervailing duties; efficient mills, particularly mini-mills, which should prosper once an MSA is finalised.

Losers: Inefficient, integrated mills anywhere. Mills propped up by subsidies, or protected markets.

■ **TRADE IN SERVICES:** One big breakthrough of the Uruguay Round would be to attack barriers to trade in services. This covers a broad range such as insurance, banking, securities, construction, distribution, tourism, software and computer services, professional and business services, including consulting, engineering, accounting and legal services. Opening up financial services markets across the developing world has been a high priority for the US and Europe

Winners: Financial services companies, professionals and consultants in the US and the EC (particularly France).

Losers: Protected and inefficient service providers in east Asia and the developing world. Japan, Korea and the five Asean countries have been targeted in particular for financial services liberalisation.

■ **MARITIME SERVICES:** The US wants port, and onshore activities linked with shipping to be opened up; for the EC and Japan, an assault on the cartel-like conferences that control much of the world's blue water shipping is the priority.

Winners: Shippers outside the conferences controlling particular ocean routes; freight and distribution companies keen to compete in getting cargoes from factory to port.

■ **AUDIO-VISUAL SERVICES:** Sales of films and TV programmes were second only to aircraft last year as the leading US export. The main market is the EC, where national limits are frustrating export growth. The US wants the EC to drop requirements for a minimum percentage of local-language programming, and of locally-produced films and programmes. Cable and satellite developments are making life even more complicated. The EC insists local culture must be protected.

Winners: The US, if the EC were opened further. Japanese companies now control many of the leading US film-makers, so they have slipped alongside the US on this issue. India's film industry generates significant export income.

Losers: The EC, in particular France, where US cultural hegemonism is unpopular.

■ **INTELLECTUAL PROPERTY RIGHTS:** Protection of copyright and patents is lax in much of the developing world, prompting the US to fight for progress in the Uruguay Round towards enforcement of intellectual property protection - across books and music to videos and computer software. At the same time, many developing countries resent paying high royalties to western pharmaceutical companies for licences to use drugs they need cheaply for their people. Developing countries have linked concessions here to concessions in the US and Europe over farm trade and textiles.

Winners: Many companies, mostly in the industrial world, which need effective patent and copyright protection to justify big investments in research and innovation.

Losers: Poor consumers of medicines and food preparations in the developing world, who may have to pay more; videos and computer software pirates; plagiarists of designs or other product innovations.

■ **DISPUTE SETTLEMENT:** The US says the Gatt dispute settlement procedures are slow and fickle but is reluctant to dilute its sovereign dispute settlement laws by handing authority to resolve a dispute over to a multilateral agency like Gatt. They are anxious to strengthen its authority, since they feel it is the only medium in which they can handle a trade dispute with a big trading power like the US or the EC. They want bilateral weapons in international trade disputes - like the US Section 301 laws - eliminated.

Winners: All developing countries, and many industrial ones subject to bilateral trade pressure from the US.

Losers: the US, which wants Section 301.

■ **THE MULTILATERAL TRADE ORGANISATION:** The Uruguay Round was meant to achieve what should have been achieved in 1947, when Gatt was born: a trade body with more authority than now, to embrace trade in manufactures, agriculture and textiles, and the new area of services. It would also embrace the Tokyo Round "codes" on subsidies, dumping and procurement.

Winners: All those who subscribe to multilateral settlement of trade problems.

Losers: The US, and those concerned about erosion of sovereign authority, as the MTO would mean some national powers were delegated beyond the courts of the land.

■ **SUBSIDIES, DUMPING AND PROCUREMENT:** These are contentious in their own right. National policies in these areas have an increasing impact on international trade. They are the subject of special "codes" overseen by Gatt, to which only a minority of countries backing Gatt are signatories. Signatories want more countries to sign up to the disciplines of these codes.

Winners: Developing countries, who can ill afford industrial subsidies, and are often the victim of dumping actions: the US and the EC, by making more countries subject to the disciplines of the codes.

Losers: The US, fearing erosion of its sovereign powers; developing countries, many are not yet disciplined by the codes; the EC, a heavy user of subsidies and a procurement market coveted by the US.

☐ Serbs and Croats 'beyond pale' ☐ US looks to Asian trade ☐ Yeltsin reassures Japan ☐ 23m jobless 'unacceptable'

Summiteers harden rhetoric over Bosnia

But accord a far cry from earlier warnings of military intervention, reports Jurek Martin

PRESIDENT Bill Clinton was not alone in coming to Tokyo in the hope that not too much attention should be paid to the precise wording of summit communiqués.

But in the middle of yesterday morning there appears to have been a collective realisation by the G7 leaders that there could be no excuse for not finding the right words to use on Bosnia.

This was why the summit adjourned temporarily while the foreign ministers were sent off to strengthen the language of the political declaration.

If what was finally agreed was a far cry from the stern warnings of military intervention issued in Munich a year ago – and totally ignored ever since – several leaders were able to claim credit for the fact that the G7 did not completely walk away from the Bosnian tragedy.

The process started over dinner on Wednesday evening with, according to US and other officials, Mr Clinton's strong intervention and the observation of Chancellor Helmut Kohl of Germany that Serbian and, intriguingly, Croatian behaviour was "beyond the pale".

It was continued at a late-night session with Mr John Major at the president's hotel during which the British prime minister echoed Mr Kohl's choice of words, which was duly incorporated into the communiqué. Yesterday, virtually all the other heads of government chipped in with their own supportive observations.

As David Gergen, Mr Clinton's counsellor, put it yesterday, the objective was to strengthen the language "without raising false expectations". Another senior US official, speaking off the record and thus perhaps more frankly, agreed that the people of Sarajevo would not necessarily be sleeping easier in their beds as a result of the words of the communiqué.

But, from the point of view of the US and all other participants, the insertion of the sentence "stronger measures are not excluded" is an implicit reference to Mr Clinton's belief that the arms embargo against Bosnia should be ended.

Mr Douglas Hurd, the UK foreign secretary, who has argued vigorously against lifting the embargo because it would merely "level the killing fields", concurred. He even used, by his standards, exotic language in a briefing.

The Serbs and Croats, he said, "are still in the excitement of killing each other and gaining hills and villages. They think they have to hate their neighbours from here to kingdom come." But he allowed for the possibility that the relief role now being played by British and other peacekeeping troops might become untenable, in which case nothing could indeed be excluded.

But another senior UK official speaking after the foreign secretary had left for China, appeared to distance himself from Mr Hurd's "stand alone" comments.

An equally significant concession may have come from Germany, sponsor of the European Community's recognition of Croatia last year. For the first time, the political declaration raised the threat of sanctions against Croatia if, along with Serbia, it continued to push for the dismemberment by force of Bosnia.

This meant, as US officials were not slow to point out, that Europe's most influential leaders had committed themselves to withdrawing whatever preferential arrangements Croatia now enjoys with the EC.

None of this, nor the other last-minute insertion vowing support, including US air cover, for UN resolution 836 covering "safe areas", amounts to a girding of the international loins to stop Serbian and Croatian aggrandisement.

But as Mr Perrin Beatty, Canadian minister for external affairs, put it, the Serbs and Croats should now be under no illusion that they can go about carving up Bosnia as they wish and find that in six months' time the international community will accept the outcome and help them rebuild shattered communities. Or, in the words of a senior US official, the declaration "makes clear that there is no chance of the international recognition of whatever entity emerges in Bosnia unless it is agreed to by all the parties."

Again from the US perspective, the political declaration's section on the Middle East also breaks new summit ground. Unlike two years ago, the call for the ending of the Arab boycott of Israel was issued without conditions referring to Israeli settlements policy in the occupied territories. This may help ease some of the latest tensions between Washington and Jerusalem over the course of the Middle East peace negotiations.

More significant was the sentence on Iran's behaviour. A senior official, noting the extensive commercial relations between several G7 countries and Iran, including the sale of dual-use technology, described the regime in Tehran as "an international outlaw" and "a serious threat to stability" because of its support of terrorism and its determination to disrupt the Middle East peace process.

He then put US concerns very bluntly: "We don't want to look back in five years' time and find we have made the same mistake with Iran that we made with Iraq." He noted that previous summits had refused to single out Iran and Libya for specific criticism because of the risk to trade with both countries.

All the officials representing their national leaders have claimed credit for toughening the language of the political declaration, while Mr Clinton's men generously allowed that the process was "collegial". In reality, most of it was drafted months ago, with the exception of the Bosnian segment, left until last because of the fluidity of the situation there.

But Mr Clinton's summit agenda seems at least as well served as anybody's; and probably better than most. On Bosnia, the Middle East, nuclear non-proliferation and aid to Russia, all areas of prime US concern but not ones on which there has always been unanimity among the G7, the president has received endorsements appropriate for his status as still the most powerful individual member of the club.

They come only in the form of words, many of which have proved empty enough in the past, never more than last year in Munich.

But, as the ubiquitous Mr Gergen put it, they were at least the result, for once, of "productive and free-wheeling" exchanges between the summitteers.

And hopes that future summits will be more informal and focused, like this one, have some chance of being realised.

Major's slimline tonic loses sparkle

By Peter Norman in Tokyo

MR JOHN MAJOR, the UK prime minister, made limited headway in his attempt to cut the annual G7 summits down to size.

British officials yesterday admitted that Mr Major's proposal to limit future summits to heads of government had not won sufficient support. The US, Canada and Italy backed the plan but it was strongly resisted by France and Germany.

Both countries have coalition governments and the inclusion of finance and foreign ministers in the talks enables the different parties in government to be represented.

The UK prime minister had more success with his plans to strip the summits of the pomp and bureaucracy that has grown over the years.

Mr Kenneth Clarke, the UK chancellor, said he expected next year's summit in Italy would have "fewer people, less formality... more free-flowing *discussion* and a little less structure."

According to a senior Canadian official, Mrs Kim Campbell, the Canadian prime minister and another summit novice, was "in favour of anything" which could make summits more informal.

"People were very firm that we have got to cut down the ceremonial and the 36,000 cops out there," the Canadian official said.

UK officials said future summits would end with either a press briefing or chairman's statement rather than a long-winded communiqué.

The role of the sherpas, the officials who prepare the summits, would be radically cut to reflect the reduced workload of a meeting without a final prepared statement.

A UK plan to limit the summits to two days gained partial acceptance. In future, talks among the seven will be limited to two days, but additional talks such as today's "G7 plus one" meeting with President Yeltsin will run into a third day.

US eyes potential for trade with Asia

By Jurek Martin

THE US is considering proposals that could amount to a new Asian trade round and that could be discussed with other regional leaders in Seattle later this year.

Mr Mickey Kantor, the US trade representative, yesterday said that the US had in mind "a framework around Apec [the Asia Pacific Economic Co-operation group] which would engage the US and the Pacific rim countries to build a regime that would regularise trade in the region."

Mr Kantor offered no further details but noted that the US had "a natural alliance in Asia to which we have not paid enough attention in the past."

More than 40 per cent of US trade, he said, was now with Asia, and the region's economies were growing faster than anywhere else in the world. The US remained a "stabilising force" in economic, political and security affairs.

President Bill Clinton will be attending the Apec meeting in Seattle in November. He has devoted substantial segments of two big speeches this week to highlighting the importance of the Asian dimension to US foreign and economic policy.

US officials insist this new focus should not be translated as an adverse reflection on the state of trans-Atlantic relations, but naturally reflected economic and geopolitical realities.

Contrasts were also drawn with the initial Asian policies of President Jimmy Carter, who sought to reduce the US military presence in the region, particularly Korea.

Mr Clinton goes to Seoul tomorrow with a very different message.

Meanwhile, Mr Clinton and Mr Kiichi Miyazawa, the Japanese prime minister, agreed to have dinner tonight, raising some hopes that the US and Japan might reach agreement on a negotiating framework designed to reduce bilateral trade friction.

Mr Kantor, still savouring the breakthrough achieved in the market access agreement, refused to predict if an agreement was imminent.

Mr Lloyd Bentsen, the treasury secretary, was equally non-committal though perhaps marginally more optimistic.

Mr Kantor said it mattered less if it was reached "this week or next month" than that it was a solid agreement, with quantifiable targets, that made possible greater import penetration of Japan.

But he conceded that a pact with Japan would greatly increase the chances of approval by Congress of the North American Free Trade Agreement with Canada and Mexico "because it shows your policies are working."

There were many interconnections in trade negotiations, he said. Congressional approval last week extending the president's "fast track" negotiating authority until December 15 had helped get the market access agreement in Tokyo.

He hoped that the "side" agreements to Nafta – covering the environment, labour standards and trade "surges" – would be completed by the end of this month.

Russian leader shrugs off earlier slights to Japanese sentiment over Kurile Islands dispute

Yeltsin turns up with a smile and apologies

By Leyla Boulton and Robert Thomson in Tokyo

TO THE RELIEF of his Japanese hosts, who must have been wondering if he would ever touch tarmac in Tokyo, Russia's President Boris Yeltsin yesterday arrived for the Group of Seven summit with a wry smile and an expression of regret for previous appointments he was unable to keep.

Twice in the past year, Mr Yeltsin has cancelled bilateral visits. But the Russian leader was confident that in attending a multilateral conference he would not be forced to make concessions on the territorial dispute with Tokyo over the Kurile Islands, off northern Japan.

On landing, Mr Yeltsin said he "regretted" having been unable to pay an official visit last September and expressed gratitude to the Japanese government and people for their "understanding of the circumstances" which had forced him to cancel.

That visit was called off under combined pressure from conservative opponents who accused him of planning to sell off Russian territory, and from Japanese expectations of real progress in retrieving the Kuriles in return for economic aid.

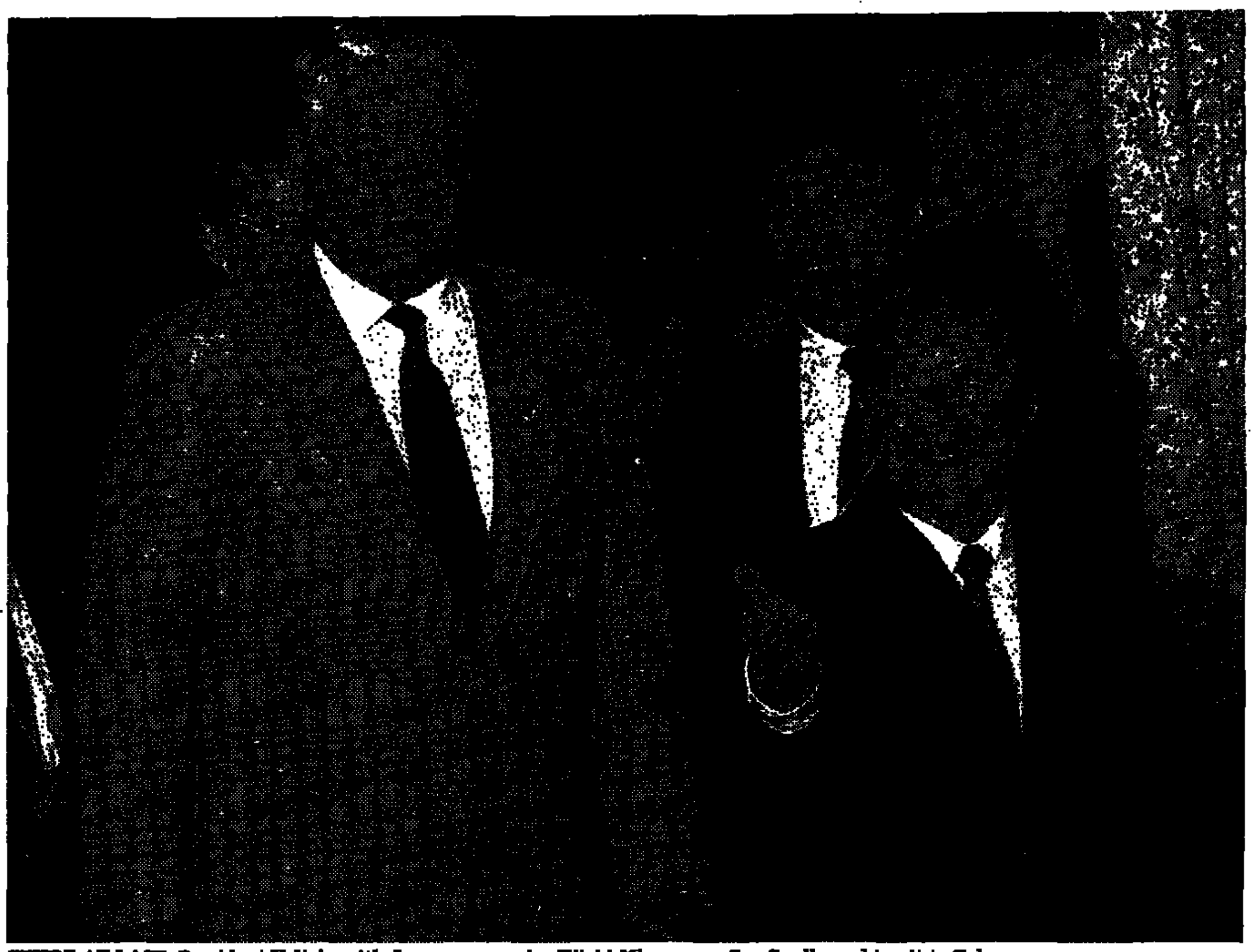
Yesterday Mr Yeltsin assured his Japanese hosts that they would "always find in the new Russia an honest and constant partner".

Mr Kiichi Miyazawa, the Japanese prime minister, later said the Russian leader's statement was appreciated by the Japanese people. In Japan Mr Yeltsin is almost as unpopular as Mr Miyazawa's cabinet, which has an approval rating under 10 per cent.

A Japanese foreign ministry official said the two countries agreed that preparations would begin for the much-postponed bilateral visit to take place in mid-October.

But the Japanese appeared to be setting themselves up for a new disappointment when a foreign ministry official said Mr Yeltsin had to expect substantive negotiations on the territorial issue.

"In talking about improving relations, we take a position that the improvement will come with the settlement of this dispute," a foreign ministry official said. "He [Mr Yeltsin] also has some understanding that this is the issue."



THERE AT LAST: President Yeltsin with Japanese premier Kiichi Miyazawa after finally making it to Tokyo

Although strengthened by his victory in the April constitutional referendum, Mr Yeltsin still faces considerable domestic opposition to any territorial concessions, particularly now that Russia itself is in danger of breaking up. Only yesterday, the Far Eastern region centred on the key port of Vladivostok declared itself to be a republic within Russia.

The four Kurile Islands were occupied by Soviet troops in the final days of the second world war, and the two countries have been unable to sign a peace treaty because of the dispute over their ownership. Mr Miyazawa told the Russian leader that Japan understood his domestic difficulties, but that their differences must be settled on the principles of "law and justice" – a formula also used by Mr Yeltsin but with a different meaning.

Clarke highlights G7's failure to create jobs

By Peter Norman, Economics Editor, in Tokyo

MR Kenneth Clarke, the UK chancellor of the exchequer, yesterday warned that the Group of Seven industrialised economies could face rising unemployment even if they achieved 3 per cent a year growth.

He said the summit had "picked up a theme" in the need to tackle structural unemployment. In draft copies of the economic communique that will be released after the summit today, the G7 countries stress that they are concerned about low growth and failure to create jobs and say it is unacceptable that 23m are unemployed in the G7 countries.

Reducing unemployment requires prudent macroeconomic policies to promote non-inflationary growth and structural reforms to improve the efficiency of markets, especially labour markets, it says.

Mr Clarke said Britain was "ahead of the game" compared with some G7 partners in deregulating and tackling the problems of its economy.

He welcomed US President Bill Clinton's proposal for a further meeting of G7 finance, economic and labour ministers this autumn.

The meeting would consider whether labour markets were sufficiently flexible, if benefit and training systems gave the unemployed incentives to take jobs, and would study the phenomenon of unemployment rising in good as well as bad periods in the economic cycle.

The draft communique commits Europe to implementing tough budgetary policies with the aim of lowering interest rates. Mr Clarke said Britain was committed to tackling its public sector deficit. That was why it had signed up to the Maastricht treaty convergence criteria which envisage reducing the deficit to 3 per cent of gross domestic product by late in this decade from around 8 per cent now.

The chancellor made clear that the government was preparing difficult spending decisions in the forthcoming public spending round. Although he insisted that the government was not planning to abolish the welfare state, every developed country had to ensure that its welfare system operated in a cost effective way.

Mr Clarke was careful to draw a distinction between the US and Europe, with their high unemployment and fiscal deficits, and Japan, with its low jobless rate and fiscal surplus.

However, he urged Japan to increase its domestic demand to improve the living standards of its people and increase imports. In spite of Japan's greater national wealth, "the living standards of the average Japanese are not the living standards of the average Brit," he said.

But he was also willing to learn from Japan. Its education and training system seemed not to produce the underclass of underachievers as found in Britain.

Mr Clarke disclosed that Britain had pushed its G7 partners to be more generous in writing off the debt of the poorest developing nations that are enacting economic reforms.

However, a UK attempt to obtain agreement for countries to write off 80 per cent of poorest nations' stock of debt foundered largely on opposition from Japan.

Mr Clarke said the enhancement of the so-called Trinidad Terms had been referred to the Paris Club of creditor nations. This, he said, indicated that the G7 were "quite close to agreement".

● Robert Thomson adds: Japan proposed yesterday that the G7 establish a panel to study the "stabilisation" of international commodity prices in an attempt to assist developing countries reliant on commodity exports.

The proposal by Mr Kabun Muto, Japan's foreign minister, at a meeting of G7 foreign ministers was an attempt to be seen to be representing the interests of developing countries, which have complained that industrialised nations have neglected their interests.

Apart from the Japanese commodity proposal, few other new ideas have surfaced among G7 countries on aiding the developing world. However, an economic declaration to be released today by the G7 will have a separate section on developing countries.

German economic recession 'at bottom'

By Peter Norman in Tokyo

THE GERMAN economy seems to have reached the bottom of its recession, German ministers said in Tokyo yesterday.

Mr Theo Waigel, the finance minister, said the economy appeared to be in the "bottom of the valley", and Mr Günter Rexrodt, economics minister, indicated it could be at a turning point.

"I do not want to give the impression that recovery is beginning in Germany," Mr Rexrodt said. But said recent indicators had been either "positive or at least not more negative".

Mr Rexrodt said business expectations in industry had improved, the consumer climate had not deteriorated for the past two months and the inflow of foreign orders had improved.

Mr Rexrodt said the G7 finance ministers had expressed satisfaction with last week's interest rate cuts in Germany and there was no explicit criticism of the Bundesbank's interest rate policy.

By contrast, there had been heavy pressure on Japan to expand domestic demand.

Leaders spotlight migrants, nuclear arms and local conflicts

Extracts from the text of the Group of Seven political declaration adopted yesterday at the Tokyo Summit:

THE PROTECTION of human rights is the obligation of all nations, as affirmed at the World Conference on Human Rights in Vienna.

The increased number of refugees and displaced persons as well as the problems of uncontrolled migration and difficulties confronted by national minorities require urgent attention by the international community, and should be tackled taking account of their root causes.

Terrorism, particularly when sponsored by states, poses a grave danger which we will oppose energetically.

IN PROMOTING our partnership of co-operation, reforms in the former centralised economies should be further encouraged.

We look forward to democratic, stable and economically strong societies in those countries. We firmly support the determined reform efforts by Russia under President Yeltsin and his government.

We also look to Russia to promote its diplomacy based on the principle of law and justice and to continue to play constructive and responsible roles in the international community.

We also support the reform process in Ukraine and hope that the recent meeting between Presidents Yeltsin and Kravchuk will provide a basis for further improvement of relations between the two countries.

ENHANCED co-operation is necessary in combating the danger of proliferation of weapons of mass destruction and missiles. In particular we:

● Urge North Korea to retract immediately its decision to withdraw from the NPT, and to fully comply with its non-proliferation obligations, including the implementation of IAEA safeguards agreement and the Joint Declaration on Denuclearisation of the Korean Peninsula;

● Encourage the countries concerned of the former Soviet Union to ensure rapid, safe and secure elimination of nuclear weapons in accordance with current agreements, providing effective assistance to this end;

● Urge Ukraine to ratify the START Treaty, and Ukraine and Kazakhstan to accede to the NPT as non-nuclear weapon states.

We also continue our efforts to strengthen the non-proliferation regimes, including the Missile Technology Control Regime, and to establish effective export controls.

We reiterate the objectives of universal adherence to the NPT as well as the Treaty's indefinite extension in 1995 and nuclear arms reduction. We also call on those countries that have not done so to sign the Chemical Weapons Convention and to accede to the Biological Weapons Convention.

FACED with the rapidly deteriorating situation in former Yugoslavia, we reaffirm our commitment to the territorial integrity of Bosnia-Hercegovina and to a negotiated settlement based on the principles of the London Conference.

We cannot agree to a solution dictated by the Serbs and the Croats at the expense of the Bosnian Moslems. We will not accept any territorial solution unless it has the agreement of the three parties.

If the Serbs and Croats persist in dismembering Bosnia through changes of border by force or ethnic cleansing, they will place themselves beyond the pale of the international community and cannot expect any economic or commercial assistance, especially reconstruction aid.

The UN Security Council Resolutions on safe areas must be implemented fully and immediately to protect the civilian population.

We commit ourselves to assist the Secretary-General of the United Nations to implement UN Security Council Resolution 836 by sending troops, by air protection of the UNPROFOR, by financial and logistical contributions or by appropriate diplomatic action.

Sanctions should be upheld until the conditions in the relevant Security Council Resolutions are met. Stronger measures are not excluded. The flow of humanitarian aid to Bosnia must be increased.

Deeply concerned about the situation in Kosovo, we call on the Serbian government to reverse its decision to expel the CSCE monitors from Kosovo and elsewhere in Serbia and to agree to a significant increase in their numbers.

WE FULLY support the efforts to achieve a comprehensive, lasting peace settlement in the Middle East, and call on Israel and the Arab states to take further steps for confidence-building. We reiterate that the Arab boycott should end. We call on Israel to respect its obligations with regard to the occupied territories. We support the efforts of reconstruction in Lebanon.

We are determined to keep up the pressure on Iraq and Libya to implement all relevant UN Security Council Resolutions in full.

Britain in brief

Cypriot bank wins apology on Polly Peck

The administrators to Polly Peck International have apologised to the Central Bank of the Turkish Republic of Northern Cyprus, in a move which may boost co-operation with the authorities in realising assets in the region.

Mr Christopher Morris, a partner at Touche Ross who is one of the joint administrators, has written to the bank withdrawing allegations made during litigation against the bank launched in October 1991 to recover up to £45m.

The statement said: "Christopher Morris ... accordingly apologises to the governor and the board of the Central Bank for the allegations of fraud and money laundering which were made in the course of the proceedings."

The apology is likely to ease relations with the authorities of northern Cyprus whose co-operation is essential in allowing the administrators to negotiate sales on local PPI subsidiaries.

British Coal cuts 3,000 jobs

Three thousand clerical jobs are to go at British Coal as the state-owned corporation struggles to cut costs.

Mr Neil Clarke, the chairman, said the cuts were essential if collieries which had escaped the recent round of pit closures were to win orders for coal.

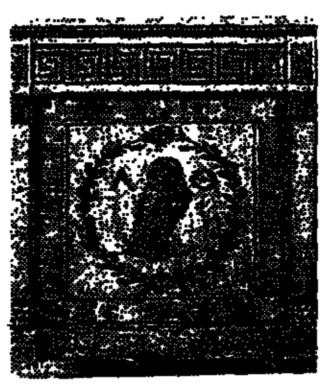
Under a restructuring plan, British Coal's five operational sectors will be reduced to just two, and opencast mining operations will be streamlined. Changes are also proposed in the organisation of marketing, finance, operations, information, technology and other activities. Many in-house services are to be put out to contractors.

Tough rules for power prices

Tougher controls on electricity prices will be announced today by Professor Stephen Littlechild, the electricity regulator.

The controls will apply to the electricity supply business, which accounts for up to 20 per cent of the profits of the regional electricity companies. The controls form the first part of a two-year review which will eventually cover the whole electricity supply and distribution business.

Antique desk fetches £1.7m



The Anglesey desk, commissioned in 1812 by the 2nd Earl of Uxbridge, has been sold at Christie's for £1.76m, an auction record for an item of English furniture. In 1945 the Anglesey family sold it for 700 guineas.

The mahogany desk is monumental in size and highly crafted with bronze enrichments and ebony and brass inlay (pictured). It was sold by the executors of the late Sir John Musker, and attracted competitive bidding, which pushed its price way ahead of Christie's £600,000 estimate.

New rules on accounting

New accounting, auditing and corporate governance reporting requirements are to be more closely co-ordinated between the different standards-setting bodies, according to a statement from the Financial Reporting Council.

This will lead to delays in guidelines being developed by the accountancy profession on directors' comments in annual reports on the state of their internal controls and whether their company is a "going concern". There will also be a deferral for "a significant degree of consultation and field testing" on guidelines for interim financial statements.

Bid for drug agency boosted

The government's campaign to locate the European Medicines Evaluation Agency (EMEA) in London received a boost when the UK's Medicines Control Agency revealed that a third of all new applications for drug licences through European Community procedures are being handled in the UK.

Mrs Virginia Bottomley, Secretary of State for Health, said the strengths of the UK medicines regulatory system – its scientific excellence, speedy and efficient licensing and commitment to protecting public health – were evident.

"These results will put the UK in a strong position to shape and play an active part in future EC licensing arrangements," she said.

Clowes loses fraud appeal

Mr Peter Clowes, the former financier jailed for stealing investors' funds from his Barlow Clowes investment empire, has lost his appeal against his 10 convictions for theft.

The Court of Appeal also rejected Mr Clowes's appeal against the length of his 10 year sentence.

Three appeal court judges rejected Mr Clowes's argument that he was not guilty of theft because investors had signed a mandate giving Gibraltar-based Barlow Clowes International absolute discretion over his handling of their money. Lord Justice Watkins said BCI had taken the money to invest in gilts and could not act as a "mini-merchant bank". Mr Clowes is now considering whether to ask for leave to appeal to the House of Lords.

George Walker drops action

Mr George Walker, the former chairman of the Brent Walker group now facing criminal charges alleging he stole over £12m from the company, yesterday gave up his fight against bankruptcy.

Mr Walker had intended to appeal against the bankruptcy ruling, won by Mr Ray Hocking of accountants Stoy Hayward, the supervisor of his previous voluntary arrangement, in the High Court in April this year. However, at a later hearing, Mr Walker was ordered to pay £18,000 into court as part security for Mr Hocking's costs should the appeal fail.

Confusion over UK recovery

Companies in northern England are confused about economic recovery, with no consistent pattern of improvement yet apparent, the Yorkshire and Humberside regional council of the Confederation of British Industry reported.

"Order books are better than they were three, six and nine months ago, but it seems to half a step back for every step forward. Companies have a good month, then a bad one. People are very confused," Mr Brian Bigley, CBI regional director said. There is growing concern about construction and housebuilding markets, which have turned down again after picking up slightly in the spring. Exporters are also increasingly worried about European markets, which are now going into recession, although worldwide sales are still strong.

Tourist shot dead

A man was shot dead and three others injured near the Scottish ferry port of Cairnryan. The dead man is believed to be a German tourist and the three injured thought to be members of his family. It is understood they had been camping overnight.

Two of those injured are in a serious condition and police immediately blocked the road, causing traffic jams as holidaymakers tried to reach the ports of Cairnryan and Stranraer, from where ferries serve Northern Ireland.

Soap down the plughole

Eldorado, the BBC's £10m soap opera launched last year after the corporation built an entire holiday village in southern Spain, has been scrapped following a plunge in audience rating. The last episode will be screened tonight.

Hailed as a flagship series after its launch, audience viewing figures fell from 7.3m last July to 2.8m recently. The cast and crew have left, and the set, unable to be sold off as holiday flats for lack of proper sanitation, has been opened up as a tourist attraction.

Bayer attacks moves to cut state drug bill

By Paul Abrahams

BAYER UK, British subsidiary of the German chemicals group, yesterday attacked the government's recently proposed system to control the growing National Health Service drugs bill.

Mr Klaus Behrendt, director of UK pharmaceuticals at Bayer, said the system was worse than anything on the European continent. "The British have a reputation for fair play, but this system is not transparent. We have no idea what the rules are," he said.

The NHS drugs bill last year was £3.4bn. UK spending increased by 11 per cent during the first four months this year – well above the rate of inflation – compared with the same period in 1992, according to IMS International, the market research specialists.

Mr Behrendt specifically criticised the decision to extend the blacklists of products which the NHS will no longer provide.

The extension, announced last November, involves 10 categories of medicines, including hypnotics and anxiolytics, contraceptives, topical anti-rheumatics, as well as treatments for vaginal and vulval conditions, and skin diseases. About 625 products could be affected.

A committee of experts set up to decide which treatments should go on the lists is presently making its first recommendations known to drugs companies.

Mr Behrendt said the cheapest rather than most effective or safe remedies were being recommended by the committee. However, companies were being told their more expensive products would be used by the NHS if prices were cut to the same level as the cheapest product. "The government has, in effect, introduced a system of reference pricing [only paying for a drug at the price of the cheapest product in its therapeutic area] through the back-door," said Mr Behrendt.

"This is very unfair. If innovative products can no longer create a premium, there is little point launching new products on the market," he said.

The department of health said yesterday that limited lists were introduced to make sure effective and cost-effective medicines were used by the NHS. However, it is understood that sections of the department are in favour of reference pricing systems.

Mr Behrendt said: "Most companies in the UK are not complaining because they aren't affected. But once the system is in place it could be extended to cover all medicines. The industry, which is highly fragmented, must tackle the issue. The whole sector could be affected if there are further extensions in the future."

Up to 18 per cent of Bayer UK's pharmaceuticals turnover is generated by Canestan, a product for skin and vulval complaints which could be included on the blacklist.

Miami-based Stiefel, which operates from High Wycombe, north of London, could lose up to 75 per cent of NHS sales if its skin treatments are included on the blacklists. The UK subsidiary of US group Schering-Plough could lose 70 per cent of its sales.

Mr Behrendt's comparison of the UK system with those on the continent is in spite of swingeing reforms introduced in Italy and Germany this year. The markets in these countries have fallen by 0.6 per cent and 11.6 per cent during the first four months, according to IMS International.

US gas group opens plant in north-east

ENRON, the US gas group, is to start construction of a second gas processing plant next year on Teesside, north-east England, costing £50m, writes Chris Tighe.

The investment was confirmed on Wednesday at the official opening of the company's first Teesside gas processing plant at Seal Sands.

The newly-opened installation and its adjacent sister plant will process North Sea gas fed to Teesside through the 254 mile long Cats (Central Area Transmission System) pipeline, a recently completed £1bn project by a consortium including Amoco, British Gas and Amerada Hess.

The £70m plant which opened on Wednesday can process 300m cubic feet of gas a day and is receiving supplies from the Everest field. Amoco expects gas from the Lomond field to come on stream next week. The second plant, due to begin operation in 1996, will process up to 300m cu ft of gas a day from the new Judy-Joanne North Sea complex.

Enron is a 50 per cent partner in Teesside Power, the joint venture which owns the new combined heat and power Teesside power station. It is supplied by gas from the new processing plant.

Agreement 'close' on regional aid map

By Andrew Hill in Brussels

BRITAIN and the European Commission are "close to agreement" on proposals to redraw the map of areas eligible for UK government assistance, following high-level talks in Brussels yesterday.

Mr Tim Sainsbury, the British trade minister, met Mr Karel Van Miert, EC competition commissioner, to discuss British regional aid plans. He also put pressure on the Commission to allow Swan Hunter, the Tyneside shipbuilder, to receive state subsidies.

Mr Sainsbury came to Brussels with a controversial new draft map of British regional aid, which it is understood would transfer some aid from the north-west of England, Wales and Scotland towards traditionally more prosperous southern areas.

The Commission said there were still some problems with Britain's regional aid plans, but officials said afterwards that Mr Van Miert hoped there would be an agreement, once a redrafted map was submitted. A new plan could be tabled as early as today or the beginning of next week.

Mr Sainsbury refused to comment on the shape of the draft map, but officials said it was clear the rates of unemployment across the UK had changed since the aid map was last redrawn in 1984. He also hoped a compromise could be reached on the eligibility of the Swan Hunter yard for state aid.

Under normal EC rules, shipyards are entitled to subsidies amounting to 9 per cent of the value of contracts, although even that aid is to be phased out. Swan Hunter, now in receivership, cannot receive any subsidies because it is classified as a warship yard.

UK officials will hold further talks with their Commission counterparts about redesignating Swan Hunter as a mixed yard, eligible for subsidies. They described Mr Van Miert's attitude yesterday as "neutral".

● Around 200 redundancies are expected to be announced today at Swan Hunter by Price Waterhouse, the receivers running the Tyneside shipbuilder, writes Chris Tighe.

The job cuts, to take effect later this month, are likely to be among boilermakers and steel fabricators for whom work is running out as outfitting progresses on the three Type 23 frigates which are the company's main workload.

In May, 420 Swans employees were made redundant, reducing the workforce to 1,800.

Irish foreign minister 'rebuked' by Mayhew over article on future of Ulster

Ministers clash on Northern Ireland

By Ralph Atkins

Northern Ireland secretary Sir Patrick Mayhew (left) with Irish foreign minister Dick Spring before their talks in London yesterday

BRITISH and Irish ministers clashed publicly over the future of Northern Ireland last night after the Irish government incensed Unionist leaders with ideas floated for the province's future.

In a scarcely disguised rebuke, Sir Patrick Mayhew, Northern Ireland secretary, said he had been "surprised" by comments made in a newspaper interview by Mr Dick Spring, the Irish foreign minister.

Speaking after a meeting of the Anglo-Irish conference in London, Sir Patrick said Mr Spring had apparently gone beyond the "cardinal principle" that the constitutional future of Northern Ireland would have to be agreed across the two communities in the province.

But Mr Spring said that it would be wrong for any option for Northern Ireland to be ruled out.

"If we are not allowed to put forward provocative ideas then we may as well all give up." He added that if "round-table" talks on the province's future failed, then "ultimately responsibility lies with governments and I think that the governments have to make that quite clear."

The row reflected growing frustration in London and Dublin at the failure of the two government's to restart talks involving Northern Ireland's main political leaders that collapsed last November. Unionists continue to protest that they will not re-enter until the Irish republic modifies its constitutional claim on the north.

Sir Patrick again refused to give up, saying: "I don't visualise this process failing and I'm certainly not planning for it failing or a course of action if it does." But Mr Spring has raised the possibility of the two governments going over the heads of local politicians and agreeing a new political framework for the province, possibly being put to referenda in north and south Ireland. Options could include joint sovereignty of the province.

Mr John Major and Sir Patrick have firmly rejected such proposals and yesterday Mr James Molyneaux, leader of the Ulster Unionist party, said Mr Spring's comments amounted to an, "incitement to take the paramilitary road."

Sir Patrick and Mr Spring also clashed over the exclusion order served on Mr John Matthews, who was cleared in court of an attempted bomb attack on Downing Street. In spite of attempts by Mr Michael Howard, the home secretary, defend the order, Mr Spring said he believed Britain should review its powers the Prevention of Terrorism Act.

Overseas institutions defiant over IRA letter

By Tim Coone, Roland Rudd, Tim Burt and Cathy Milton

OVERSEAS financial institutions in the City of London reacted defiantly to yesterday's warning from the IRA of more bombing campaigns despite the creation of the new security zone designed to deter such attacks.

In a letter, which the IRA sent to some foreign-owned financial institutions in the City and which was published in Republican News, sympathetic to its cause, the IRA says: "No one should be misled into underestimating the seriousness of the IRA's intention to mount future planned attacks in the political and financial heart of the British state."

An official from the Hongkong & Shanghai Bank, which confirmed that a copy of the letter was sent to its Bishopsgate offices that were devastated by a terrorist bomb earlier this year, said: "Our record shows we will not be influenced by this sort of propaganda. We've been in Lebanon since 1982 – something like this will not make us move out of London."

Mr Paul Hofer, regional head of Credit Suisse's northern Europe operations, said: "We have total trust in the UK authorities. We were back one day after the last bomb."

Mr David Prosser, deputy managing director of Daiwa Bank (Capital Markets), said: "We got bombed out of the Commercial Union building in the first bomb. It didn't stop us then and another one or maybe two bombs would not stop us now."

Deutsche Bank yesterday confirmed it had received a letter but declined to comment further.

The City of London Police, which said a number of overseas banks had received the letters, urged institutions to hand them over for forensic examination.

Responding to the continued threat to the City, the Foreign Banks and Securities Houses Association said its members were putting more emphasis on security and welcomed tougher anti-terrorist measures such as road checkpoints.

Mr Ian Mckay, secretary of the association, which represents 150 overseas institutions, said: "Our members will not be swayed by this attempt to destabilise London."

However, concern at the threat of a City bombing campaign yesterday prompted a Scandinavian securities house, which asked not to be named, to draw up contingency plans to leave the Square Mile.

No copies of the letter are thought to have been sent to US-owned institutions as the IRA is anxious not to alienate any republican sympathy in North America.

Recovery hampered by rising personal debt

By Emma Tucker, Economics Staff

THE PROPORTION of consumers getting into debt rose in the second quarter, with households in the south-east suffering the sharpest deterioration in personal finances, a survey published today shows.

The latest Gallup-Business Strategies regional consumer survey suggests that spending is still constrained by poor consumer finances.

Mrs Bridget Rosewell, joint managing director of BSL, said: "With debt increasing and finances worsening in the south of the country, which is such a large part of the whole economy, it is hard to imagine how spending will be able to take off."

Caution among consumers is bad news for the recovery, BSL says, since "the ability and willingness of individuals to buy goods and services is a key element in producing demand for UK businesses".

A quarter of respondents said their financial situation had deteriorated over the last year, a worse result than in the previous quarter and weaker than a year ago.

Only households in the north, Yorkshire and Humberside, East Anglia and the west Midlands said their financial situation deteriorated less than it did in the last three months. Greater London, the north-west and Scotland showed the biggest declines.

BSL said although spending was held back by financial problems, "there is little doubt that consumers recognise the improvements to the economy that are taking place".

The south-west, the east Midlands and the south-east excluding London are considerably more optimistic about the next 12 months, while Yorkshire and Humberside and Wales are less so, reports BSL.

Results from a Dun & Bradstreet survey of business confidence showed a similar variation. The business information company concludes that confidence is continuing to improve slowly.

Welsh agency had 'serious breaches' of accountability

By Roland Adburgham, Wales and West Correspondent

A SHAKE-UP of the management of the Welsh Development Agency (WDA) is expected after yesterday's swingeing criticism by the Commons public accounts committee of the way it has been run.

The MPs say in a report that management practices at the publicly-funded agency – which aims to attract investment to the principality – were "well below" what parliament had a right to expect. Matters criticised include an the appointment of a fraudster, now in prison, as marketing director, and the so-called Operation Wizard to consider privatisation, under which more than £300,000 was paid to consultants.

The Welsh Office is also blamed for lack of supervision. "We regard it as unacceptable," state the MPs, "that the Welsh Office took no action against anyone in the top echelons of the agency who presided over a catalogue of serious and inexcusable breaches of expected standards of control and accountability."

Mr David Rowe-Beddoe, who took over last week as WDA chairman, said yesterday: "We take this report very seriously and we will see that appropriate remedial action is taken in every aspect." While he would not comment on whether there would be any resignations, he said: "Clearly personnel has to be part and is to be part of any investigation."

Some procedures, he said, had already been changed and he would investigate whether they were the correct changes.

Mr John Redwood, recently appointed as Welsh secretary, said he took the criticisms very seriously and the charges would be investigated. If they were fair, he would explain to parliament what action had been taken and, if necessary, what action would be taken to discipline the people involved.

The WDA, which was set up in 1976 and has a £171m annual budget, partly self-funded, was chaired until the end of last month by Dr Gwyn Jones, appointed in October 1988 by Lord Peter Walker when Welsh secretary. Among his other interests, he is now the BBC governor for Wales and a non-executive director of Tesco.

Government unveils Scottish reforms

By James Buxton, Scottish Correspondent

MR IAN Lang, Scottish secretary, confirmed yesterday that the government is to sweep away Scotland's two-tier local government structure and replace it with a system of single tier authorities.

Some 25 unitary authorities are to be created in place of the nine regions and 53 districts of mainland Scotland, while the three unitary island councils will remain unchanged.

On the controversial question of the possible privatisation of Scotland's water and sewerage services, currently run by the regional and island councils, Mr Lang proposes creating three "public water authorities" which will own and operate "the current water and sewerage assets".

The new council maps means that, as expected, Strathclyde region, which includes nearly half the Scottish population, will disappear and be broken up into 10 councils.

Mr Lang said that savings of about £200m over five years could be expected from the new structure. Transitional costs depended on the new authorities but were estimated at between £120m and £196m.

BUSINESSES FOR SALE

CONTRACTS & TENDERS

NOTICE OF TENDER

DOLPHIN OUTDOOR ADVERTISING

Dolphin Outdoor Advertising operates advertising panels in roadside locations, predominantly in London and South East England.

Notice is hereby given offering the sale by tender of 18 packages of Advertising Rights & Panels, each package consisting of up to 50 panels of 48 sheet equivalent size.

Tender Period For Registration Closes 16 July.

Details of Packages

Region	No. of Packages
London	11
Midlands	2
Wales & West	1
North West	2
Southern	1
Anglia	1

Application for registration must be per individual package and each package registration must be accompanied by a £500 deposit. To register and to receive further information and a tender document, please contact in writing by recorded post:

DOLPHIN OUTDOOR ADVERTISING
c/o Conway & Co. Solicitors
8 Reading Road, Henley on Thames RG9 1AG
Fax: 0491 410 680

Department of Social Security (DSS) Banking Services

The DSS is to tender for the provision of its banking services. The services required are:

i. Counter services - England & Wales
ii. Counter services - Scotland
iii. To be the Department's BACS sponsor
iv. To make electronic payments overseas

Tenderers will be able to tender for any or all of the services.

The DSS intends the contract to run from 1st April 1994 for five years.

A notice giving details of the exercise appeared in the Official Journal of the European Communities (OJEC) on 26th June 1993. Requests to participate must be made in accordance with the notice by 22 July 1993. A copy of the contents of the notice can be obtained by telephoning 0253 332230 during normal office hours.

COMPANY NOTICES

ENGELS-HOLLANDSE BELEGGINGS TRUST N.V.
(English and Dutch Investment Trust)
Established in Amsterdam

HEREBY GIVES NOTICE *that it has received the following notifications under the Listed Companies Disclosure Act :*

Name	Percentage capital interest	of which indirect potential		Percentage voting rights	of which indirect potential	
Stichting Gemeenschappelijk Beleggingsfonds Management : Hollandse Koopmansbank N.V. Keizersgracht 674 1017 ET Amsterdam	14.56%	14.56%	-	14.56%	14.56%	-
Amsterdam, 22nd June 1992						
Stichting Gemeenschappelijk Beleggingsfonds Management : Hollandse Koopmansbank N.V. Keizersgracht 674 1017 ET Amsterdam	33.07%	33.07%	-	33.07%	33.07%	-
Amsterdam, 30th June 1992						

LEGAL NOTICES

MIRRORSOFT LIMITED
(In Administration)

NOTICE OF PROPOSED VOLUNTARY ARRANGEMENT

The Joint Administrators of Mirrorsoft Limited (In Administration) ("the *Company*") are *proposing* a voluntary arrangement to be considered by the creditors of the *Company*. Notice is hereby given that any person considering themselves a creditor of the *Company, not* previously contacted by the Joint Administrators, should contact them at *the following* address:
The Joint Administrators of
Mirrorsoft Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1893627

BISHOPSGATE PROPERTIES LIMITED
(In Administration)

NOTICE OF PROPOSED VOLUNTARY ARRANGEMENT

The *Joint Administrators of* Bishopsgate Properties Limited (In Administration) ("the Company") are *proposing* a voluntary arrangement to be considered by the creditors of the Company. *Notice is hereby given* that any person considering themselves a creditor of the Company, not *previously con*tacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of
Bishopsgate *Properties* Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2161171

BRITISH COAL CORPORATION

Licensing of Closed Collieries

British Coal invites offers for licensing the working of coal and the use of associated facilities at each of the collieries named below. Decisions by British Coal to grant a licence in respect of each such colliery will be made on a colliery by colliery basis and separate offers are invited. Specific proposals for non-mining uses will also be given due consideration.

The collieries for which offers are invited are Taff Merthyr, Treharris, Mid Glamorgan; Shirebrook, near Mansfield, Nottinghamshire; Coventry, Keresley, near Coventry, West Midlands; Sharlston, Wakefield, West Yorkshire; and Parkside, Newton-le-Willows, Merseyside.

Expressions of interest must be received by July 30, 1993, either in writing to:

British Coal Corporation,
Licensing of Closed Collieries,
Eastwood Hall, Eastwood,
Nottinghamshire NG16 3EB.
Fax No: 0773 532709

or by telephone on the following numbers:

Shirebrook Colliery	0773 532710
Taff Merthyr Colliery	0773 532710
Coventry Colliery	0773 532711
Parkside Colliery	0773 532711
Sharlston Colliery	0773 532712

and subsequently confirmed in writing.

British Coal reserves the right not to consider expressions of interest received after July 30, 1993. Parties who have expressed an interest in making an offer in respect of a particular colliery will be provided with a Preliminary Information Pack containing outline information on the colliery, an application form, a letter of undertaking and the terms of a £10,000 security deposit/bond, together with details of the licensing process and timetable.

Detailed information on the relevant colliery and draft tender documentation will subsequently be provided to any party which satisfies the requirements specified in the Preliminary Information Pack, which include entering into the letter of undertaking and the provision of the security deposit/bond.

The receipt of an offer will not create any obligation or commitment on the part of British Coal to enter into any negotiations or to grant a licence.

Enquiries about the procedures set out in this advertisement should be made in writing to the above address or by telephone on the numbers listed opposite.

British COAL

LEGAL NOTICES

IRISH HIGH COURT
Don Bluth
Entertainment Limited
(In Liquidation)
Don Bluth
Troll Limited
(In Liquidation)
Don Bluth
Thumbelina Limited
(In Liquidation)
Don Bluth
Penguin Limited
(In Liquidation)

The creditors of any of the above named companies are required, on or before the 17th day *of January 1994 to send their names and* addresses and the particulars of their debts or claims and the names and addresses of their solicitors, if any, to:
John McStay, John McStay & Co., Bell House, Montague Street, Dublin 2, Ireland, the Official Liquidator of the said companies and if so *required by notice in writing from the Official* Liquidator, are to file such affidavits in proof of claims as they may be advised *and to give notice* of filing thereof to the Official Liquidator and to attend at such time and place as shall be specified in such notice or, in default thereof, they will be excluded from any distribution made before such debts or claims are proved.
Claimants must specifically identify the company *against which they wish to have their claim* recorded.
Tuesday the 1st day of March, 1994 at 2.30 o'clock in the afternoon at the Examiner's Office, Four Courts, Dublin, Ireland has been appointed for hearing and adjudicating upon the said debts and claims.
Dated 14 June 1993
Signed: Thomas Tynan, Assistant Examiner

MICRODEALER INTERNATIONAL LIMITED
(In Administration)

NOTICE OF PROPOSED VOLUNTARY ARRANGEMENT

The Joint Administrators of Microdealer International Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a creditor of the *Company, not previously con*tacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of
Microdealer International Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 1983141

HEADINGTON GROUP PLC
(In Administration)

NOTICE OF PROPOSED VOLUNTARY ARRANGEMENT

The Joint Administrators of Headington Group plc (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. Notice is hereby given that any person considering themselves a *creditor* of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of
Headington Group plc
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 2187925

LEGAL NOTICE

ALLCENTRE PROPERTIES LIMITED
(In Administration)

NOTICE OF PROPOSED VOLUNTARY ARRANGEMENT

The Joint Administrators of Allcentre Properties Limited (In Administration) ("the Company") are proposing a voluntary arrangement to be considered by the creditors of the Company. *Notice is hereby given* that any person considering themselves a creditor of the Company, not previously contacted by the Joint Administrators, should contact them at the following address:
The Joint Administrators of
Allcentre Properties Limited
P.O. Box 55
1 Surrey Street
London
WC2R 2NT

Company No. 892284

REPUBLIC OF POLAND
MINISTRY OF PRIVATISATION
INVITATION TO NEGOTIATE

The Polish *Ministry* of Privatisation, acting on behalf of the State Treasury in accordance with Article 23 of the Act on Privatisation of State Enterprises dated 13th of June 1990 (*Journal of Law No 51/1990* item 298, No 75/1991 item 329, No 101/1991 item 444 and 107/1991 item 464) (" the Privatisation Act"), issues an Invitation to *Negotiate to all suitably qualified parties* interested in the purchase of no less than 10% of shares in KRAKÓW POWER STATION S.A.

KRAKÓW POWER STATION S.A. is a major supplier of heat to the Cracow district. Electrical energy is supplied to the national power grid. *The financial position of the* company is sound. KRAKÓW POWER STATION faces the need of several investments of mainly ecological nature. The *World Bank is seriously considering its* participation in project financing.

On offer is the total share capital of the Company, less *shares offered* to the employees of the Power Station. Up to 20% of shares of the Company shall be offered to the employees on a preferential basis in *accordance with Article 24 of the* Privatisation Act. Investors are invited to negotiate for all or part of the remaining share capital, but offers must be for more *than 10% of the total* share capital.

Interested parties should record their interest in writing by 30 July 1993. The *Ministry of Privatisation* reserves the right to extend this deadline, but is under no obligation to consider expressions of interest or requests for an Information Memorandum after that date.

Upon receipt of a written expression of interest and subject to the signing of a *Confidentiality Agreement, an Information* Memorandum will be issued to interested parties. The Information Memorandum will provide the guidelines and timetable for *preparing and submitting* a proposal for the purchase of shares in the Company.

Information Memorandum may be obtained *from Pro-Invest International* Ltd., who is an advisor to the Minister of Privatisation in these transactions. All expressions of interest or inquiries regarding this invitation *should be addressed to the adviser at the* address below:

Pro-Invest International, Ltd.
Attn. Pawel Jagiello, President
14, Chocimska street
00-791 Warsaw, Poland
tel: (22) 48-95-32 or (22) 49-34-58
fax: (22) 49-58-69 or 3912-11-23

Minister of Privatisation reserves the right not to accept any of the received offers and to *make changes in privatisation programme of* the Company according to the interest of the State Treasury or other important circumstances.

INVITATION TO TENDER FOR THE HIGHEST BID
for the Purchase of the Assets of "*SPINNING & WEAVING MILLS* DEM. LEVENTAKIS S.A." of Athens, Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "SPINNING & WEAVING MILLS DEM. LEVENTAKIS S.A." a company having *its registered office in Athens, Greece [the "Company"], which is presently under the status of special liquidation* according to the provisions of article 46a of Law 1892/1990 [as supplemented by article 14 of Law 2000/1991],

announces a call for tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction [the "Auction"] of the assets of the Company, as a *single* whole.

BRIEF INFORMATION:

The Company was established in 1950 and was incorporated as an S.A. in 1973. Its activity included manufacturing of yarns and fabrics (made of cotton and blends) cotton blankets and towels, dyeing and finishing of fabrics. In *1984, the company went bankrupt and following a bankruptcy settlement, it was re-instated in 1986 by the Athens* First Instance Court's decision No. 15937/1986, and was since under liquidation. No personnel is currently employed. The Company's Assets include: (1) An Industrial Complex at the 12th km of the Athens-Lamia National Road (*Metamorphosi-Attikis*) consisting of Basement of a total area of 7.500m2 and total volume of 33,750 m3, Ground Floor of a total area of 11,100 m2 and total volume of 49,950 m3 and First Floor of a total area of 6200 m2 and total volume of 27,900 m3 approx, as well as an adjoining building of a total area of 500 m2. Above buildings are built on land of an initially total area of 18.665 *m2* approx., which, minus the expropriated land, are presently 15.442 *m2 approx. Relative data on the expropriation are included in the offering memorandum.*

(2) mechanical equipment consisting of Spinning and Weaving Units, Dyeing and Finishing Units, (3) various other assets such as technical installations, office equipment, trade marks etc and (4) various other lots of land situated in Ktipito area (Metamorphosis) of a total area of 17.500 m2 approx.

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain an Offering *Memorandum in* respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provision of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. *Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein* or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the *condition that express mention is made in this respect upon the submission* and that the offerer *shall give* a personal guarantee in favour of such third party.
2. Binding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 2nd of August 1993, 11:00 hours, to the office of the Athens Notary Public Mr. *Evagelos Drakopoulos, 19, Voukourestiou Str. Athens Greece.* Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of no determination of a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, *then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no* interest and c) the interest rate shall be the legal rate from time to time in force (presently 33% yearly). Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. *The offers shall be binding until the adjudication.*
3. *Letters of Guarantee: Binding offers must be accompanied* by *Letters of Guarantee, for an amount of drs.* Two Hundred and Fifty Million (250,000,000), issued, in accordance with the draft form of Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the *adjudication. Letters of Guarantee shall be returned after the adjudication. In the event of non-compliance with* the provisions and other terms and conditions referred to in paragraph 1 hereof, the Letters of Guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the Letters of Guarantee shall be submitted in sealed envelopes. *Submissions shall be made in person or through a duly authorised agent.*
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 2nd of August 1993, at 14:00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. *As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's* creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account, which shall be *calculated on the basis of a discount interest at an annual rate of* 22% compounded yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. *Adjudication shall be deemed to* take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no *liability* nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. Neither the Liquidator nor the Notary Public shall have any liability for any legal or actual defects of *the assets. Submission of binding offers shall* not be deemed to constitute any *right* for the adjudication *nor* the participants shall acquire any right, power or claim from this invitation and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.
10. This invitation *has* been drafted in Greek and translated in English. In any event the Greek version shall prevail.

FOR OBTAINING THE OFFERING MEMORANDUM AND FOR ANY FURTHER INFORMATION PLEASE APPLY TO THE LIQUIDATOR'S ATTORNEY IN ATHENS: MR ANTHONY MARKEZINIS AT 25, AKADIMIAS STR. ATHENS 106 71, GREECE, TEL. +30-1-36 15 594, FAX: +30-1-36 25 750.

THE PROPERTY MARKET

A battle to win credit

Bernard Simon on turbulence at Trizec, North America's biggest developer

All the signals coming from Trizec's head office in Calgary, Alberta, suggest that North America's biggest publicly-traded property developer is girding for the struggle of its life.

From beefing up the number of independent directors on its board to bringing in a joint chief executive skilled in public relations, Trizec is working to win the confidence of employees, shareholders and, most of all, creditors.

The company is due to lift the veil within the next few weeks on long-awaited proposals to lighten its C$5.3bn (£3.76bn) debt burden. At about the same time, it expects to outline a new business plan, spelling out how resources will be deployed over the next few years in its three main businesses: shopping centres, office buildings and retirement communities.

Trizec owns more than 160 properties in the US and Canada covering 72m square feet of space. Its portfolio is almost double the North American holdings of Olympia & York, whose collapse last year deepened the chill in real estate markets across the US and Canada. Trizec's assets include many prime office blocks in cities stretching from Los Angeles to Atlanta; a large portfolio of modern shopping centres; and an exposure to the fast-growing retirement-home market.

The stakes for Trizec are high. "If it doesn't go through with the restructuring, it's toast," says one Toronto real estate financing specialist.

The recent confidence-building steps are a measure of the turbulence which has buffeted Trizec. Besides the challenge of finding tenants for its own properties, it has been caught in the wake of crises at its two biggest shareholders and its largest subsidiary.

The business empire controlled by the Toronto branch of the Bronfman family has a 53 per cent voting interest in Trizec through Carena Developments and other Bronfman holding companies.

Trizec's recent appointment of four new independent directors, combined with a reduction in the board's size, appears designed to reassure outsiders who have been concerned about its links with the tangled Bronfman group. "It's both a dressing up and represents real change," says one analyst.

Meanwhile, uncertainty hangs over the 25 per cent equity stake (equal to 8 per cent of the votes) in Trizec nominally held by Olympia & York, the Toronto-based developer which emerged from court protection earlier this year a shadow of its former self. O&Y's shares are now controlled by Citibank and six Japanese banks, to which they were pledged as collateral for a loan. The bank shareholders are currently examining their options.

Trizec has been called on several times to support Bramalea, a debt-laden subsidiary which over-extended itself in the California and Ontario housing markets.

Bramalea earlier this year completed a restructuring of its C$4.5bn debt. The conversion of a sizeable chunk of the debt to equity has cut Trizec's interest from 72 per cent to 20 per cent, allowing it to stop consolidating Bramalea in its books. A writedown of the Bramalea investment comprised the bulk of Trizec's C$544m loss in 1992.

Trizec is now giving top priority to its own looming cash crunch. Without a vigorous revival in property markets, its cash flow is inadequate to meet debt repayments and a C$149m preferred-share redemption due over the next two years.

Ms Melanie Ward, analyst at RBC Dominion Securities in Toronto, estimated in a report last December that the company faces a cash shortfall of C$899m in 1994, even after fully drawing down its bank operating lines.

The stakes are high. 'If Trizec doesn't go through with the restructuring, it's toast,' says one Toronto financier

Since then, Ms Ward has cut her cash-flow forecasts further by 24 per cent for 1993 and 18 per cent next year. (Dominion Securities and Goldman Sachs are acting as financial advisers to Trizec during the restructuring.)

Trizec is being forced to accept lower rents on many office leases, totalling 2.2m sq ft, which expire this year. Its latest financial statements noted that, provided the economy picks up, "rents should stabilise in the months ahead, but it will take some time before they are restored to normal levels".

One example of the pressures on Trizec is its Bay-Adelaide Centre in downtown Toronto. The 57-storey office tower was conceived as a flagship project but is turning out to be a heavy millstone. The property slump has brought construction to a halt on the 1.6m sq ft centre. Ms Ward estimates that Trizec has already spent C$250m on its 50 per cent interest in the project. But more funds are required to re-start work on the tower. In addition, the biggest tenant signed up so far is in the process of being taken over, and is likely to require less office space.

Equally problematic for Trizec is its limited options in the forthcoming debt talks. With its share price languishing at little more than C$1 (down from a peak of C$29 in 1989), raising new equity is out of the question. Existing shareholders are unlikely to take kindly to another share issue on the heels of a big private placement in mid-1992 which expanded the number of Trizec shares by 22 per cent.

Trizec's main bankers, Royal Bank of Canada and Canadian Imperial Bank of Commerce, are also nervously watching the company's every move. With property financing in North America still in the doldrums, prospects for rolling over loans or raising new debt are uncertain.

Nor can Trizec expect gentle treatment from holders of its C$1bn-plus senior debentures, which observers expect will be at the centre of the restructuring.

Many of the securities originally placed with public investors are now held by US "vulture funds". These funds and other holders demonstrated their tenacity earlier this year by extracting big concessions in negotiations with Bramalea, Trizec's debt-laden subsidiary.

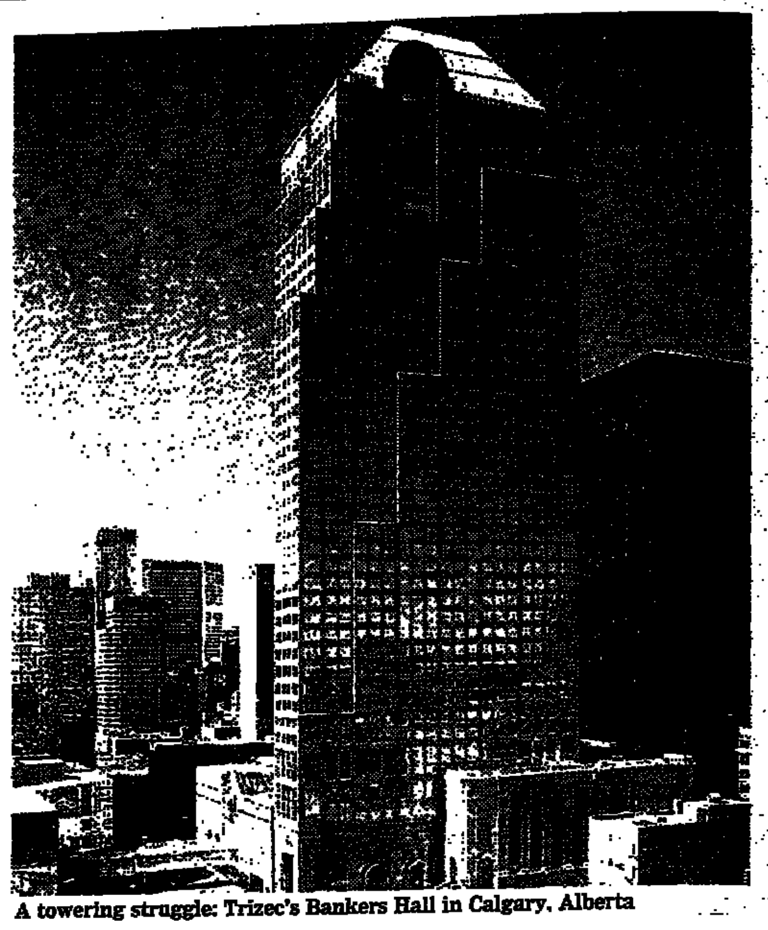
When he unveils the debt plan later this month, Mr Kevin Benson, Trizec's chairman and joint chief executive officer, is expected to warn debenture and preferred-share holders that they risk losing everything if they refuse to extend maturities and accept other sacrifices. The collapse of the restructuring effort could ripple further afield.

Despite its problems, analysts agree that Trizec's situation is not as precarious as either O&Y or Bramalea's. Trizec has already made several moves to improve liquidity, including the elimination of common-share dividends and the sale of almost all its 25 per cent stake in Rouse Company, the US shopping-mall developer.

Trizec's assets are not as heavily leveraged as O&Y's. Several hundred million dollars could still be raised by spinning off part of its wholly-owned Hahn Company, another US shopping centre subsidiary which is widely regarded as Trizec's crown jewel. Alternatively, Trizec may seek equity investors in some of Hahn's 48 shopping malls.

Other properties may also be put up for sale, although Trizec's interest in many of them is a leasehold one rather than the freehold, which is more attractive to prospective buyers.

"There probably is sufficient value in the assets to cover the liabilities," says one Toronto analyst. He predicts that, unlike O&Y, creditors will eventually accept the argument that Trizec is worth more alive than dead.



A towering struggle: Trizec's Bankers Hall in Calgary, Alberta

LEGAL NOTICES

Company No. 56626
Registered in England and Wales
D S FASTRODE LIMITED
(Formerly DSF Refractories Limited)
Principal Place of Business:
Friden, Newhaven, Nr Buxton, Derbyshire

NOTICE IS HEREBY GIVEN, pursuant to Section 48(1) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Quaker Meeting House, St James Street, Sheffield S1 2EW, on 22 July 1993 at 11.30 am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

D J Stokes
Joint Administrative Receiver

No. 005133 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF HAVELOCK EUROPA PLC
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 23rd June 1993 confirming the reduction of the share premium account of the above-named Company by the sum of £2,926,000 was registered by the Registrar of Companies on 30th June 1993.

Dated 9th July 1993.

Morrison, Skirrow, 63 Queen Victoria Street, London EC4N 4ST Ref: KMD/BPF/HA863485
Tel: 071 329 3299 Solicitors to the Company

PUBLIC NOTICES

INSURANCE COMPANIES ACT 1982

Notice of Approval of Transfer of Business

Notice is hereby given pursuant to Section 51(5)(a) of the above Act that the Secretary of State has approved a transfer of certain general business from Allianz Cornhill International Insurance plc to Cornhill Insurance Plc.

Department of Trade and Industry
London
28 June 1993

From the sewers upwards; up goes the pound; the end of Christian hegemony PAGE 2

FINANCIAL TIMES SURVEY

LEBANON

Premier Hariri reviews his masterplan; between Syria, Israel and Iran PAGE 4

Friday July 9 1993

Reduced to rubble by 17 years of civil wars and invasion, the former "Switzerland" of the Middle East is trying to embark on a process of reconstruction and national healing. **Roger Matthews** weighs the chances for Lebanon's blueprint for renewal

Long road from hell

☐ *Before the civil war (above), Beirut's heaviest traffic used to revolve around the elegant Place des Martyrs*

☐ *Morris Carpenter's picture (above) shows the Place des Martyrs as it appears today*

LEBANON is making a brave attempt to rise from the structural and political rubble left by 17 years of war. Few countries in the Middle East, including Iraq and Iran, have suffered quite so comprehensively during the past two decades.

It is also worth recalling that only a few years ago Lebanon was being written off as a nation. The prognosis then was much like the one for Bosnia today: fragmentation into a series of mini-states or cantons, each susceptible to manipulation by an external power, and carrying a legacy of bitterness that could explode again into conflict at any moment. The parallel is far from exact, but the efforts being made to reverse the results of the earlier descent into the chilling process of "ethnic cleansing" offer hope that some of the ugliest lessons of the civil war have been learned.

But that hope has yet to be translated into confidence. The fault lines between Lebanon's religious minorities remain all too visible, the gulf between the affluent and the mass of the poor is huge, and the central government's ability to shape the country's future is severely constrained by the attitudes of neighbouring countries and by developments elsewhere in the Middle East.

On the credit side, Lebanon again has a functioning central government, a legitimately elected if not fully representative parliament, and a reconstructed army which, under the command of the impressive General Emile Lahoud, has extended its authority over a large part of the country. The militias have, with one notable exception, been disarmed and security on the streets of Beirut is now better than in some large western cities.

Mr Rafik al-Hariri, prime minister for the past seven months, can claim a large measure of responsibility. His behind the scenes efforts contributed substantially to the 1989 Taif Agreement which laid the groundwork for the country's political rehabilitation, and his background as a highly successful businessman in the Gulf has brought an entrepreneurial drive to the process of reconstruction.

It is a measure of the hopes resting on him that the currency has appreciated by 20 per cent against the dollar since he took office and that over $1bn has been committed from overseas towards the reconstruction programme. The cabinet, while still suffering from the inefficiencies imposed by the need to keep a confessional balance, has generally benefited from the injection of technocrats with private sector experience. The central bank, with the arrival soon of a top management team with extensive international contacts, will provide additional expertise in the handling of the economy and the revival of a capital market.

Vital work to repair the basic infrastructure, especially electricity, water and waste disposal, is getting underway. A regular power supply, presently limited in many areas to six to eight hours a day, will have an immediate impact on public morale and is fundamental to the more ambitious reconstruction schemes such as the rebuilding of Beirut's city centre.

The management of the rebuilding programme and its level of priority offer their own political challenges. Creating a new city centre fit for bankers to work in has to be balanced against the needs of the poorest section of society, heavily represented among the 900,000 people uprooted during the war, many of whom remain without jobs.

Reports that apartments are changing hands in the more fashionable parts of Beirut for well over $1m are unlikely to be well received among those squatting in the bombed out ruins of buildings and getting the minimum wage of $90 a month.

Such disparities provide ready ammunition for those domestic and foreign interests still engaged in the battle over the future political direction of Lebanon. The most basic shift in influence since the eruption of the civil war in 1975 has taken place between the Christian and Moslem communities. Many Christians find it difficult to accept that the demographic changes of the past 50 years are now reflected in the new constitutional arrangements in the Taif Agreement.

Mr Hariri, a Sunni Moslem, whose selection as prime minister was vigorously backed by President Elias Hrawi, the Maronite Christian head of state, insists that the country can only be governed effectively through the agreement of the leaders of all the religious minorities.

He hopes that by the time of the next parliamentary elections, in just over three years time, a new generation of post-war leaders will have emerged to make reconciliation easier, but that process will in turn be powerfully influenced by what happens in Syria, Iran, Israel and elsewhere in the Middle East.

Nothing is more crucial to Lebanon than a successful outcome to the Middle East peace process. An agreement between Syria and Israel on the Golan Heights should open the way for both those countries to pull their troops out of Lebanon. That would remove any justification for Hizbollah, the radical Shia group, to continue as a separate armed faction outside the authority of the national army.

Lebanese officials have too little chance of influencing the outcome. Many cabinet members, whatever their private thoughts, acknowledge that the Syrian military presence (and political influence) will remain at least until Israel has left the southern strip of territory it controls and the Lebanese army has established its authority there. Even after that Syria can be expected to ensure close political and economic co-operation between the two countries.

The intentions of Hizbollah are the subject of even more intense debate. As a radical Islamic organisation which draws its funds and inspiration from Iran, and is notorious in the west for its involvement in bombings and kidnappings, Hizbollah appears to be opposed to most things that the Beirut government is trying to achieve.

Above all, it wants to see an Islamic state imposed in Lebanon, but must surely understand that the rest of the country, including part of the Shia community, would literally fight to prevent it. However, Hizbollah, like Iran, would be emboldened by political successes for radical Islam elsewhere in the region and is well placed to take advantage of any breakdown in central authority.

It is a measure of Lebanon's continuing confessional rivalries that there is as yet little sign of a concerted effort to close ranks and plan how best to meet the Hizbollah challenge. Many members of the Maronite community are still more obsessed with getting Syria out of Lebanon, an attitude which has cost them dear in the past and has simultaneously given Hizbollah the opportunity to widen its own role.

Given that Syria and Iran still find a common purpose in their hostility towards Iraq, and Israel has presumably abandoned any thought of again interfering more fundamentally in Lebanese politics, the options for the Maronites are few. It is Mr Hariri's hope that eventually they will recognise that by working within the revised political system their future prosperity will be better assured.

Part of the problem is that so much of Lebanon's political debate still takes place behind closed doors and continues to be fed by rumour and speculation.

The press generally enjoys greater freedom than elsewhere in the Arab world, but tends to reflect a particular view, while Parliament never discusses the great issues affecting the country such as the peace process, the treaty with Syria and the implementation of the Taif Agreement.

These institutions have to be further strengthened in the years ahead if the country is to lessen its dangerous dependence on individual leaders. Most Lebanese agree that without the continuing presence of Mr Hariri the political outlook for Lebanon would be much different, and for most of them much worse.

He first came to prominence in Saudi Arabia by outbidding international competition to build the Intercontinental hotel in Taif, and completed the project in an extraordinary eight months and 15 days. Lebanese are keeping their fingers crossed that he can perform similar miracles on his home territory.

☐ MORRIS CARPENTER, two of whose photographs appear in this survey, is one of the first two recipients of the FT/BT Alan Harper Bursary, set up in memory of Alan Harper, a Financial Times photographer killed in Kuwait in 1991

A million new phone lines, costing $80m, will be installed in the next 18 months (picture: Morris Carpenter)

■ BLUEPRINT FOR RECONSTRUCTION

It's going to take time and money

MR RAFIK HARIRI'S masterplan to rebuild Lebanon, dubbed Horizon 2000, was unveiled on March 17, 1993, less than 18 months after the last shell of the civil war added its part to 17 years of destruction.

By that time the country's infrastructure was in a severe state of disrepair: Beirut's city centre was a wasteland of prime real estate, only 30 per cent of the country's telephone lines were in order, electricity supplies were minimal, water was in short supply and often polluted, and the country's other public services were on the verge of total collapse. The announcement of the plan was greeted with euphoria.

Nearly four months on and visibly very little has altered. The initial excitement has given way to cautious optimism. Lebanese are slowly realising that the formidable scheme will take time, considerable external aid, and a sustained turnaround in the political and economic situation.

While most wait impatiently for the government's promises to materialise, the Council of Development and Reconstruction (CDR), which is the powerhouse behind Horizon 2000, has been preparing the ground.

The CDR, originally set up in 1977, was resuscitated by Mr Hariri in 1991, before he took power, to oversee the reconstruction programme. It is a dynamic and fairly semi-autonomous administrative body which aims to sidestep government bureaucracy. This has led to some friction between the CDR and various ministries, but overall it has been highly successful.

Essential infrastructure – electricity, telecommunications, water, sewerage, schools, hospitals – and the reform of government institutions have been given priority. The rehabilitation and development of Beirut's international airport, the ports, and lavish plans for the downtown city centre are still either on the drawing board or waiting to overcome bureaucratic hurdles.

The total cost of Horizon 2000 is estimated at $13bn at current prices over 10 years ($10bn at constant prices). So far the CDR has managed to raise $1.2bn in grants, soft and commercial loans. Of this, in spite of Mr Hariri's excellent Gulf credentials, only $250m has come from Arab funds. Italy is the foremost foreign donor having signed protocols worth $450m. The EC and European Investment Bank (EIB) have committed $285m and the World Bank $175m.

According to Mr Nohad Baroudi, the CDR's secretary-general, the government expects to raise a total of 36 per cent of the nominal capital, less than $4bn, in loans and aid. The rest will be financed by internal borrowing and government revenue.

For an economy that registered a GDP of only $3.5bn-$4bn last year, such sums will be difficult to deliver.

The CDR and government firmly believe that private investment and foreign aid will flow as a result of increased business confidence in Lebanon. But until the country rehabilitates its basic infrastructure, and political stability appears more assured, investors and donors are bound to remain circumspect.

■ THE CENTRE OF BEIRUT

The jewel in the crown of Horizon 2000 is the reconstruction of Beirut's central district. The area, which covers 784,609 square metres of real estate, was previously the zone which bridged the east and west sides of the divided city during the war. Its collapsed buildings, riddled with shell holes, suffered the brunt of the fighting and over 60 per cent of the area has to be completely demolished and cleared.

A masterplan for its reconstruction has been prepared by the Lebanese consultancy company Dar al Handasah. It aims to resemble the Beirut of pre-1975, with its lively souks and residential areas, while at the same time creating an international business and banking centre.

Before major reconstruction could begin, a solution had to be found to the myriad ownership and tenants' rights to the land and buildings. With an estimated 50,000 possible claims of ownership the government responded by passing an ingenious, although controversial, law in November 1991 to facilitate the setting up of a real estate company. Solidere, the company which is due to be formalised soon, will represent the property owners while also raising capital needed to fulfil the area's rebirth.

Its creation will follow a final judgment by a government committee on the value of the real estate, currently put at $1.073bn (averaging $1,400 per square metre). Property owners will then have the choice of either exchanging their land rights for shares in the company or reclaiming property, for a fee, and carrying the expenses of reconstruction which has to be completed within two years.

Shares will also be sold to private investors at a total value equal to that of the area's land value. This should raise over $1bn in cash for construction work. Priority will be given to the property owners, the Lebanese government, and then other Arab nationals. Individual holdings will be limited to 10 per cent.

Construction companies will be invited to bid for the work and Mr Nasser Chamaa, secretary general of the Board of Founders charged with establishing Solidere, predicts that extensive reconstruction will begin in earnest by the end of this year and will continue in the next century.

■ RESTORING ELECTRICITY

In the power sector, work is underway to increase electricity generating capacity from 400 MegaWatts to 1,000 MW by the end of the year, and eventually 1,500 MW, at the cost of about $300m.

As most people in Beirut receive only around six hours of government supplied electricity a day, and far less outside the city, the sector is a priority for the CDR.

Italy's Ansaldo Energia has won a $66m contract to repair existing power stations.

South Korea's Hyundai Corporation is to supply transmission equipment for $80m, and France's Bouygues has out-bid rivals to supply $44m worth of equipment.

Electricité de France is acting as consultant on the project to the CDR which hopes to provide power 24 hours a day within 18 months. The project is being partly financed by $110m from Arab funds, $30m from the Italian protocol and $35m from the World Bank.

■ MILLION NEW PHONES

Over the next 18 months, more than 1m new telephone lines are expected to be installed at a nominal cost of $80m.

There are currently around 350,000 local lines and 700 international lines in operation. France's Alcatel-CIT and Sweden's Ericsson have each been awarded contracts to install around 270,000 lines, worth $22m to each company. Germany's Siemens is currently negotiating the installation of 385,000 lines for $40m.

Meanwhile, MCI International has set up a direct-dial international service that can offer up to 5,000 lines. Parliament has also approved a law to allow the establishment of a local cellular telephone network of up to 250,000 lines. Work is being partly financed by some $90m from the Kuwait Development Fund and $15m from the Italian protocol.

■ TRANSPORTATION

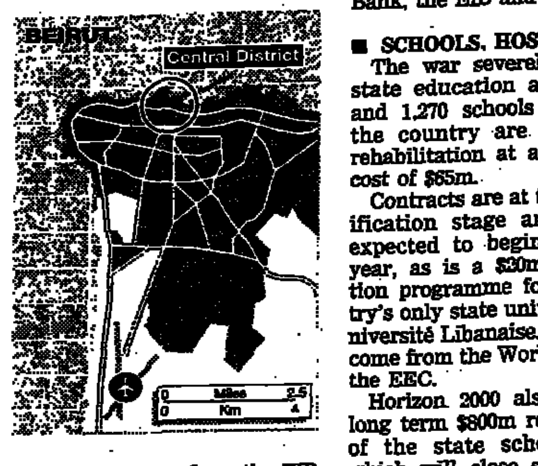
Beirut International Airport is set for substantial expansion over the next four years.

Plans include a new runway, 16km of runway approaches, the rehabilitation and expansion of terminal buildings to handle 6m passengers a year, and a new air traffic control tower, along with a hotel, conference centre and an extensive duty free shopping area.

The $350m package goes for tender later this year. Mr Hariri has boasted that the airport will be one of the most modern in the world when completed in 1997, although it is not yet clear how it will be financed.

Beirut's main port is also to be upgraded with a new container terminal and a 280m breakwater extension to be added to the fourth basin. The first two basins need to be cleared of vessels hit by shells during the war, and loading equipment and the port's technology will be modernised.

The total package will cost around $150m and finance is expected to come from the EIB and Arab funds. Lebanon's two other main ports, Tripoli in the north and Sidon in the south, are also to be improved. The CDR plans to inject $10m into Tripoli, which handles petroleum, and $7m into Sidon.



In addition, a $2bn upgrading of Lebanon's roads, which will include a Beirut ringroad, a Beirut-Damascus motorway, and a coastal motorway, is expected to take place over the next 10 years. Plans for this are still at an early stage.

■ WATER AND SEWERS

None of the country's six sewage treatment plants is in operation and the water supply system works at less than 60 per cent of capacity, with 50 per cent of the water lost through leakages. The CDR is pre-qualifying contractors to upgrade the water and waste water systems, and provide solid waste disposal equipment and compactor trucks.

New landfill areas are also to be developed to prevent further dumping of waste along the coastline. This is of particular concern in Beirut where there is a vast rubbish tip on the sea shore.

The total nominal cost of work is expected to be around $300m and completion is scheduled within 18 months. Finance will come from the World Bank, the EIB and Arab funds.

■ SCHOOLS, HOSPITALS

The war severely disrupted state education at all levels and 1,270 schools throughout the country are in need of rehabilitation at an estimated cost of $65m.

Contracts are at the pre-qualification stage and work is expected to begin later this year, as is a $30m rehabilitation programme for the country's only state university, L'Université Libanaise. Money will come from the World Bank and the EEC.

Horizon 2000 also entails a long term $800m restructuring of the state school system which will close some of the smaller classrooms in rural areas and provide transport to larger schools with more facilities.

As in education, the scarcity of adequate facilities in health care was compensated for by the private sector. According to the Minister of Health, there are currently 700 public sector beds against 7,000-8,000 private ones.

A rehabilitation programme of 17 of the country's 24 state hospitals will begin this year at a nominal cost of $67m. A $14.5m plan to build two new district hospitals is underway. Finance will come from French and Italian protocols, and Arab funds.

James Whittington

There are some good economic indicators, says **Roger Matthews**

Up goes the Lebanese pound

NO SINGLE event since the end of the fighting has had a greater positive impact on the Lebanese economy than the appointment of Mr Rafik Hariri as prime minister.

Lebanese of all confessions and political persuasions unite only in their respect for an individual who has amassed a substantial financial fortune. On this occasion they were scarcely less united in their astonishment that Mr Hariri, having achieved so much, should put himself at risk for the sake of his country.

It proved to be one of those rare moments in Lebanese history when an inexplicable event was taken as a positive harbinger. The exchange rate of the Lebanese pound against the dollar jumped from 2,205 on the day before his appointment to 1,820 at the turn of the year and now appears fairly stable in the 1,700-1,750 range.

For Lebanese there is no more important gauge of confidence in the future of the country than the exchange rate, particularly as many remember with nostalgia the pound trading at less than five to the dollar during the darkest days of the civil war. It is also one of the very few economic statistics which is accurate and immediately available.

The maintenance of the pound's stability despite lack of improvement in other economic indicators was also significant. Earlier this year several hundred million dollars of precious non-gold reserves were used to support the currency, but officials say that the expenditure has since been recouped and reserves stand again at just below $1.4bn. Lebanon also holds more than 9m ounces of gold, which are effectively frozen by parliamentary legislation and therefore cannot be effectively deployed.

In the absence of dramatic external events, maintaining the currency's stability will rest on the government's success in tackling a formidable array of problems.

The war left Lebanon with only the remnants of a civil administration, up to 900,000 displaced people, more than 150,000 disabled, nearly 30 per cent of the workforce unemployed, pervasive underemployment for those in work, inflation last year at close to 120 per cent, an alarming budget deficit, a severely damaged infrastructure, and only sketchy public services.

Deciding on priorities and linking them to the $13bn reconstruction programme outlined in the Horizon 2000 document is currently taking much of the government's time.

Mr Fouad Siniora, the finance minister, has no doubt that the budget deficit must be tackled first. Considerable progress, he says, is already being made. During the first five months of this year, the deficit fell by 30 per cent to about $360m. If debt servicing is excluded, the improvement would be closer to 70 per cent, he says.

The main reason for the change has been an increase in revenues, achieved in large part by improved collection. An important element has been customs dues which have soared since the government resumed control of most ports. Improved collection methods should see further large revenue increases, although widespread evasion will be difficult to overcome. In order to encourage the payment of income tax, the government is introducing a new law which will set three levels of 2 per cent, 4 per cent and a top marginal rate of 10 per cent.

The government's hope is that by setting such modest levels the public will not risk incurring the increased penalties for evasion. It should also contribute to attracting back to Lebanon many well-qualified nationals who inevitably would have to accept lower salary levels than they currently receive overseas. The return of more of these people will contribute not only to the level of skills available in the country, but their repatriated capital will also increase the amounts available to the banking sector during reconstruction.

Getting a larger number of people to pay realistic prices for essential services, such as electricity, may be more problematical. At the moment some hundreds of thousands are believed to tap into the erratic power system without authorisation. And with many others earning less than the equivalent of $150 a month the government has to be very sensitive to the pace at which it demands payments for its services.

Mr Siniora claims success in sharply reducing inflation this year, an achievement greeted with scepticism by many Lebanese. Given that Lebanon imports 70 to 80 per cent of its requirements, the improvement in the exchange rate over the past seven months should have fed through into lower consumer prices. However the dominance of a few importers means that the laws of supply and demand do not fully apply. While some prices have fallen, it is suspected that other profit margins have increased. Officials hope that this distortion should eventually disappear as the market in Lebanon develops.

It is unlikely, however, to ease the increasing demands from all employees, particularly those in the public sector, for an improvement in pay levels. The government recognises the need to answer the need, but is wary of its effect on budget finances and on inflation. With Horizon 2000 demanding an increased government contribution by the middle of the decade, the political pressure on the budget will remain intense. Preliminary work is already underway in reviewing, reorganising and re-equiping the bureaucracy.

Incentives have been offered for government employees to leave their jobs before an element of compulsion is introduced. Capital expenditure will grow as ministries introduce computer systems and try to streamline their operations.

A new Central Bank team, already recognised as one of the best qualified in the region, is also due to be in place by August. This will signal an extensive reorganisation and modernising of the bank's activities, an improvement in economic statistics and a start on planning a proper capital market, including a stock exchange.

These facilities are urgently needed if Lebanon is to absorb and channel effectively the heavy capital expenditure forecast in Horizon 2000.

Mr Siniora goes to great lengths to emphasise that in his view the most effective answer to the dangers of Islamic fundamentalism has to be a steady improvement in economic and social conditions. Once Arab and western friends fully understand this, the minister expects them to respond with more generous contributions to the reconstruction effort.

But ensuring a balanced and equitable distribution of income during the most intensive part of the rebuilding operation will not be achieved without closer studies of the population, workforce, education and skill levels that are available.

Without that information, and a sensitive response to it, some economists worry that rapid economic development could create additional political tensions rather than easing those that already exist.

■ POLITICS

Christians lose their dominance

There will be more seats in parliament for the militant Hizbollah organisation, which grew out of the politicisation of the impoverished Shia population in the south

IT will take decades for a political system to evolve in Lebanon which could be seen by most Lebanese as both representative and equitable.

The arrangements bequeathed by the French in 1943 were designed to perpetuate the constitutional, political and therefore economic dominance of the Christian community. It was a system which, as Christian leaders rarely fail to assert, enabled Lebanon to emerge as arguably the most affluent, cosmopolitan, and sophisticated nation in the Middle East during the three decades after the end of the Second World War.

One of the most frequent, rhetorical questions asked of visitors to Lebanon is whether they knew the country before 1975. It was in that year that the fundamentally flawed system began to unravel, under the pressures of those who were substantially excluded from political and economic participation, and by the country's inability to isolate itself from the wider political turmoil.

In the 17 years of intercommunal warfare and invasion that followed, the balance of power in the country has certainly changed. But rivalries and suspicions still run deep and can all too readily be fuelled by developments in the Arab-Israel conflict, in the Gulf and the current growth of Islamic fundamentalism.

The core of Lebanon's political difficulties is the fact that its communities are defined primarily by religion and that each one is a minority. Worse, each of the largest broadly defined communities – essentially, Christian, Moslem and Druze – is itself sub-divided. Within those sub-divisions are powerful, often family-oriented factions which are themselves often in conflict.

In turn, these rifts have made Lebanese society uniquely vulnerable to external intervention, sometimes imposed, but at other times requested.

Israel, Syria, the Palestine Liberation Organisation, Iraq, Iran, Libya and Saudi Arabia have been, and some still are, substantial elements in the Lebanese political equation. Among the Western nations, the US and France have also played significant roles.

The biggest loser of the past decade has unquestionably been the Christian community, Maronite and Orthodox. Demoralised and fragmented, the Maronites in particular have seen their strength whittled away and, while still vital for the political and economic reconstruction of the country, feel increasingly marginalised.

Their high point came in 1982-83 when Israel invaded again in an attempt, with US co-operation, to rid Lebanon of a Palestinian military presence and ultimately force out the Syrians. The Israelis succeeded in pushing out the Palestinian fighters, but could not break the Syrian grip.

Bashir Gemayel, who had violently sought to unite the Christian forces, was himself assassinated soon after being elected president and the Israeli-Maronite dream was effectively at an end. Since then the Maronites have tried, mostly in vain, to stem the ebbing tide of influence, often exacerbating the trend through their own miscalculations.

The latest and most serious error was the partial boycott of the general elections called last year under the terms of the Taif Agreement, which was hammered out in 1989. The agreement provided for a 50-50 Christian-Moslem representation in Parliament (in place of the 6:5 pro-Christian arrangement), the eventual termination of official appointments on a confessional basis, and formalised a Syrian role in Lebanon. The effect of the boycott was to deny a presence in Parliament for the most representative Maronite leaders, while creating a generally more pro-Syrian assembly than would have otherwise have happened.

Another important side effect was to open the Parliamentary door more widely to candidates of Hizbollah, the militant Shia organisation, and the most closely watched and discussed political faction in Lebanon today. Hizbollah grew out of the politicisation of the country's poorest minority, a development provoked both by economic disparities and by the impact of Israel's invasions in 1978 and 1982.

Its growth has been fostered by Iran which provides funding, estimated at close to $100m a year, and by the provision of weapons to continue the armed conflict with Israel and its Lebanese surrogates (the so-called South Lebanon Army) along the southern border.

Hizbollah is the only militia not to have been ordered by the restructured Lebanese Army to hand in its heavy weapons in the wake of the Taif agreement. Although other militias are assumed still to have retained some fighting capacity, including mortars and rocket-propelled grenades, Hizbollah is by far the most potent of the irregular forces. At the same time it has established a presence in the newly-evolving political structure, while developing grassroots support through an extensive social welfare programme involving hospitals, schools, medicare and food shops for the poorest sections of society.

Hizbollah appears intent on being ready for every political eventuality. Its eight members of parliament carry out their tasks assiduously, study issues closely and contribute to the committees of which they are members. The militia in the south maintains pressure on Israel's self-declared security zone, thereby reinforcing its opposition (and that of Iran) to the Middle East peace process. Its social programme meanwhile provides benefits that the central government cannot yet match.

Hizbollah's future may depend heavily on external factors. Supplies can only reach it through Syria, which currently tolerates Hizbollah's military activities. If Israel and Syria ever reached a peace agreement, including an Israeli withdrawal from the Golan Heights and southern Lebanon, Hizbollah would be required to hand in its weapons. It would then have to choose whether to opt substantially for a constitutional political role, or resist the forces ranged against it.

Hizbollah's leaders are also well aware of the political hostility it faces – from within the Shia community, particularly from the Amal, the faction led by Mr Nabbih Berri, the speaker of Parliament who is closely allied to Syria; by almost the entire Christian community; and by many Sunnis and Druze.

The success of the Hariri government in alleviating the worst of the country's economic ills would also in time work against Hizbollah, by undercutting many of the social services currently provided with financing from Iran. The extent to which Hizbollah tries to undermine the government by seeking to stir popular feeling against individual policies, such as the plan for the redevelopment around the airport and southern suburbs where many Shia live, could provide an early test of its intentions.

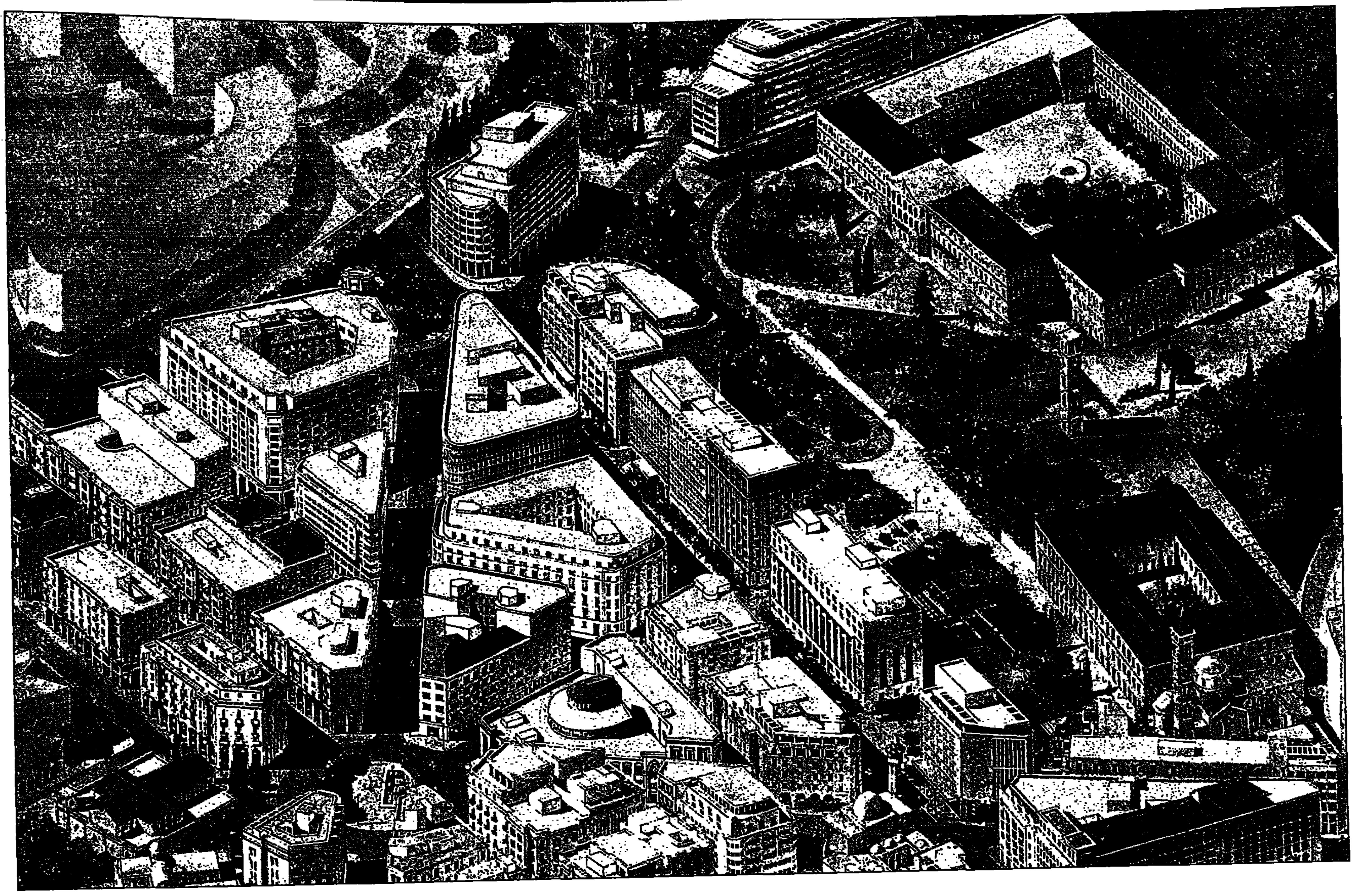
Hizbollah is not, however, without its own internal divisions and almost certainly mirrors the political structure of Iran where competing groups vie for influence. Optimists in Lebanon like to be believe that ultimately the Shia community, and the Hizbollah leadership, are Lebanese nationalists at heart. They suggest that, given a sustained period of stability, Hizbollah's supporters, and the affluent members of the community, will come to feel part of the reformed political system. Pessimists, however, insist that Hizbollah is intent on the creation of an Islamic state.

These elements of Hizbollah may not be alone. There are also a plethora of other radical and fundamentalist groups, Shia and Sunni, some of which may be allied to Hizbollah, others in competition, but which all are opposed to the return of what they see as government by a narrow, wealthy elite.

The cabinet itself is composed of three distinct groups: first, the technocratic associates of Mr Hariri; second, men who were chosen primarily to reflect Syrian interests; and third, leaders of the former militias (except Hizbollah and the Lebanese Forces). Somehow they have to work together on the enormous task of avoiding any widening of the political stresses within the country, while pushing ahead rapidly with their ambitious but potentially divisive economic programme.

What they need above all is swift progress towards a Middle East peace settlement and the enthusiastic and generous support of allies in the Arab and Western worlds. Mr Hariri is aware that time is a critical factor. The longer his government takes to produce a tangible improvement in living standards, the greater the risk of his political opponents resorting to violence.

Roger Matthews



BEIRUT REVISITED

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Gone are the days when Beirut wailed. Instead, reconstruction is taking shape, turning an area of 1.43 million square meters of deterioration into the world's major urban renewal project of the 1990s.

To some, this seems nothing but nationalistic fervour. But at **Solidere,** with creative planning, imagination, and bold forward thinking we are rebuilding Beirut's once vibrant city centre, reactivating and reviving Lebanon's overall economy.

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This stylish cosmopolitan city of the Mediterranean which dates back to the Phoenician era is the common denominator to all Lebanese, and the emblem of their unity and modernism. Once the theatre of booming commercial and financial activity, it boasted highly renowned Arab and foreign investors.

The reconstruction will underline Beirut's unique position as the cultural, touristic and financial capital of Lebanon. It will renew its attraction as the colourful city of the Eastern Mediterranean, where people shop, trade, live, work and play...

The rebuilding of Beirut's Central district will be the largest development and construction project in the Middle East, and indeed one of the most ambitious projects in the world.

This multifaceted project includes a total built-up area of 4.4 million square meters carefully distributed among housing and shopping areas, traditional souks, hotels, office and business centres, convention and exhibition halls, theatres and marinas. The reconstruction project is enhanced by historic preservation and archaeological excavation to highlight the unique location and character of Beirut as the cross-road of cultures and civilizations.

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■ INTERVIEW: Prime minister Rafik al-Hariri shares his ambitions with **Roger Matthews**

I hope I can make a difference

THE LEBANESE PRIME MINISTER discussed his programme of national reconstruction with the FT. Excerpts follow:

■ **The search for foreign funding:**
I am not at all disappointed by the response. We have over $1bn committed. Part of it from the Italian government, from the World Bank, the Kuwaiti Fund, the Arab Fund and the EC. We are also discussing bilateral protocols with several countries. Things are going well.

■ **Exchange rate policy:**
The most important thing is stability. I am not trying to fix the rate. We are trying to stabilise it, and that is what I have been doing since I took over. We are not now using our foreign exchange reserves to defend the currency. Earlier this year some people did try to play with the exchange rate. They have paid the price. They lost money. There is no law to stop people speculating. It is a free market.

■ **The Christians and the government:**
Maybe some Christian leaders do not feel comfortable with the present situation. But I am as committed to the Christians as I am to all the Lebanese. We have Christian ministers in the Cabinet and they are representative. The whole Lebanese political situation is in a transition period. The war is finished. During the war not all the normal Lebanese leaders, the conservatives who led the country during the first 40-50 years, played an important role.

Once Israel agrees to withdraw from our land, Hizbollah and others will no longer need arms

During the war period a new leadership emerged some of which became popular, others failed.

In a few years we will see a new leadership emerging from the post-war era. The next elections in just under three and a half years will give a new leadership to the country.

I believe that Lebanon cannot be governed by a person, by a sect, by a religion or by a party. Lebanon was, and always will be, ruled by the agreement of most of the Lebanese leadership.

■ **Why Hizbollah is still armed:**
It is a militia only in the south. It relates to the occupied territory. It is like any other Lebanese resistance force, but perhaps has more publicity. You will not find Hizbollah acting as a militia in Beirut or anywhere else, except in the south.

Every country has its own political situation. You cannot now disarm the Lebanese who are fighting the occupation [by Israel]. The Israelis say they are not occupiers. This is not true. Once we reach an agreement with Israel to withdraw and we have our land back, Hizbollah and any other resistance forces will have no need to keep fighting. And because they are not fighting, they will not need their arms.

■ **The Middle East peace process:**
Our position is very clear. We entered the negotiations on the basis of UN resolution 425 which includes the withdrawal of Israeli troops from all Lebanon. We are following the negotiations with the other Arab countries very closely. You will not see us or any country sign a separate agreement with Israel.

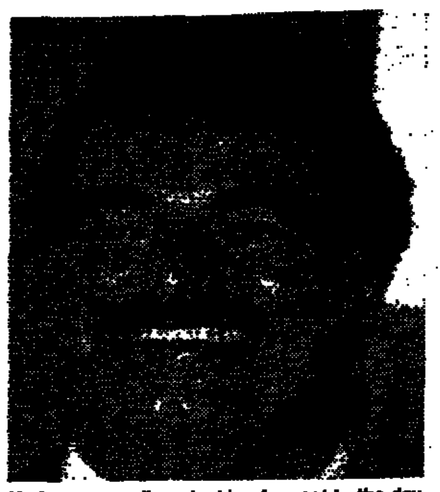
■ **The Syrian and Israeli presence:**
You cannot call the Israeli occupation a "presence". It is an occupation. Syria is playing a completely different role. The Syrians have been trying, since I came to office, to give all the help they can to the Lebanese government. They are not interfering in our internal development as a country – not with me anyway.

The Israeli occupation is not linked to the Syrian presence. The country is now peaceful and the Syrians are playing a very important role in keeping it peaceful.

The Lebanese army and security forces are improving every day. The more we strengthen them, the less we will need Syria. Lebanon and Syria are looking forward to the day when we are satisfied with the security situation and they will not want to stay any more.

■ **The 1991 treaty with Syria:**
The relationship between the two countries is improving, on the basis of the independence and sovereignty of both nations. There is a lot of contact between ministers on both sides to seek the basis of common interest.

In Lebanon we have a tremendous interest in Syria from an economic point of view. It is a large market for our products. The private sector is also very strong in Lebanon, much stronger than in any other part of the region.



Hariri: we are all are looking forward to the day when the Syrians will no longer want to stay

■ **On the reconstruction of Beirut:**
I am the man behind the idea to rebuild central Beirut. In 1975 I was just a small, poor guy, working in Saudi Arabia, so I did not really know how Beirut was then.

We do not want to rebuild Beirut as it was. We are not satisfied with it as it was. It lacked a lot of things in 1975. Communications, roads, electricity and other things were not that good.

Instead we want Beirut to be a city of the 21st century. We might see an agreement with Israel coming out of the negotiations. We should be prepared for it. But we cannot be prepared with the capital as it is now.

■ **Why he became prime minister:**
Even my wife does not understand that. But I felt that I could make a change, and that for the country I must take the job. I had been trying to help from behind the scenes for a long time before I became prime minister, in a humanitarian and philanthropic way, and politically through ceasefires and the Taif Agreement.

So far I do not think my decision was wrong. But there is a big difference with what I did before. In business you control your work and your decisions. In politics you must work harder and consider a lot of other elements. You can never say you have succeeded. I have made a difference: that is the best I can say.

■ FOREIGN POLICY

Little steps in self-assertion

IT was once argued by some Lebanese that the country's strength lay in its weakness: that because it did not have an army, navy or airforce which could possibly pose a threat to anyone, it would be left alone. As a miscalculation it ranges alongside those committed by Saddam Hussein of Iraq during the past dozen years.

From the moment that Palestinian fighters, evicted from Jordan by King Hussein, descended on Lebanon in 1970, the country became part of a conflict from which it had successfully stood aloof during successive Middle East wars. Once drawn in, Lebanon became the battleground on which others pursued their own agendas. Not only did it lack the strength to resist, but its own communities willingly became allied to whichever external power offered political and material assistance.

Thus, at different moments during the extended crisis, the Maronites welcomed assistance first from the Syrians, then the Israelis and the US, and finally from Iraq. Their involvement fuelled and extended the battle, so that today the future stability of Lebanon rests more than ever on a successful outcome to the Middle East peace process launched in Madrid more than 18 months ago. Lebanon's capacity to influence that outcome is severely limited. The principal result of 17 years of fighting has been to leave Syria as the dominant external force. The regularity with which ministers travel to Damascus illustrates the extent to which important decisions depend on the approval of Syria.

Whether Damascus views Lebanon as part of a greater Syria, or principally as a strategic buffer against Israeli attack, makes little difference. The one clear, consistent aim of Syria under President Hafez al-Assad has been to ensure that no other external force exercises greater influence in Beirut.

It has succeeded, to the chagrin of many Lebanese. But many more have come to accept the necessity of accommodating Syria, as the lesser of many evils. In the longer term, however, the desire of most Lebanese is for Syria to withdraw its troops in conjunction with an Israeli pullback from the southern strip in the south which it has held since 1978. Mr Rafik Hariri believes that once the security situation in the country is assured Syria itself will not wish to remain.

President Hafez al-Assad: insisting on Syria's predominance in Lebanon

The key difference between the two foreign presences is that there is a UN Security Council resolution (425) demanding the withdrawal of Israel, but there are agreements signed by the Beirut government accepting the Syrian presence. These are enshrined in the 1989 Taif agreement and the subsequent 1991 Treaty of Brotherhood, Co-operation and Co-ordination.

The latter document sets out a scheme for extensive political, economic and military links between the two countries, including the creation of a supreme council on which the presidents of the two countries would sit. The council, which has yet to be officially formed, is supplemented by a series of sub-committees covering issues such as foreign relations, defence and the economy that would meet every two months, together with a general secretariat to follow up the implementation of agreements.

The third, rather more indirect presence in Lebanon, is that of Iran. Through its funding of Hizbollah, the regime in Tehran can influence developments, at least for so long as Israel's troops and its local allies remain in a southern strip of Lebanese territory.

The arrangement currently suits Syria, insofar as it is linked to the Middle East peace process. Syria was also the only Arab country to ally itself with Iran during Tehran's eight year war with Iraq, a policy largely dictated by Hafez al-Assad's fierce rivalry with Saddam Hussein.

However, Syria has been careful to ensure that it remains the only conduit between Iran and its Lebanese allies. Despite the return of many international airlines to Beirut, there seems to be little possibility of Iran being allowed to reopen direct flights to Lebanon.

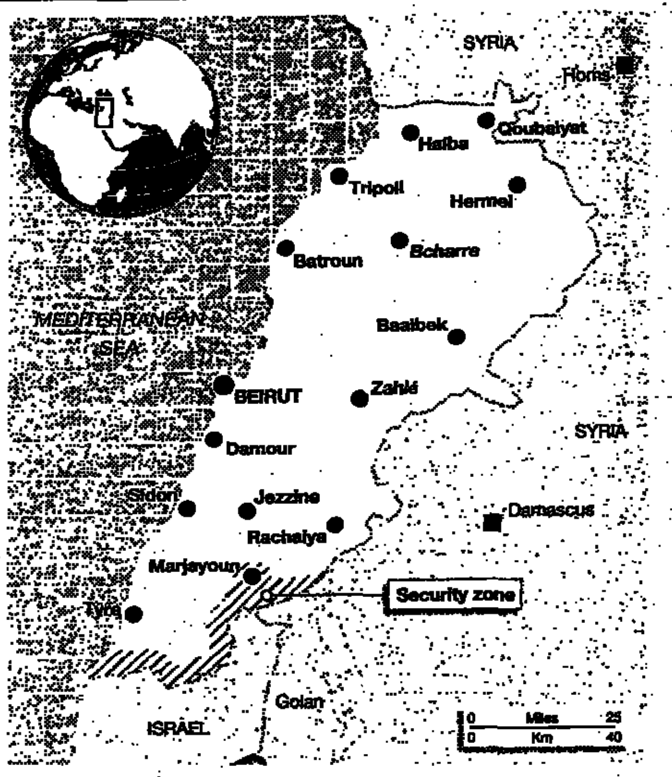
Accommodating Syria is seen by many Lebanese as the lesser of many evils

The assumption among many diplomats in Beirut is that there will be no significant diminution of Hizbollah military activity while the peace talks show little sign of progress. Equally, Syria will not pull its forces out of Beirut for fear it would be seen as a concession to Israel.

Any changes in this intricate network of Middle East relations are bound to have an impact on Lebanon which the government in Beirut is largely powerless to influence. It will be watching with particular concern the evolution of American Middle East policy in the wake of the missile attack on Iraqi intelligence headquarters in Baghdad.

The US determination to respond vigorously to Iraqi provocation, while also urging its allies "to contain" Iran –which it describes as foremost sponsor of international terrorism – seems likely to increase tension between those countries and the regional governments they identify as American supporters.

While the US is making a modest contribution to rebuilding the Lebanese army and the civil administration, it is maintaining its ban on Americans travelling to the country without the express permission of the State Department. It argues that those responsible for the earlier devastating attacks on US personnel and facilities are still alive and well, and living in Lebanon. Mr Hariri's immediate refusal last December to accept the 415 Palestinians expelled by Israel from the West Bank and Gaza offered the first indication in years that Beirut had the confidence to act unilaterally. But for it ever to adopt a more consistently independent foreign policy will require a lasting solution of the region's most durable conflicts.



Roger Matthews

Rolling out the contract

Controversy has raged over the British practice of giving many company directors three-year rolling service contracts since the UK's largest pension fund declared war on them a month ago. But few people have stopped to question the difference between rolling contracts and three-year, fixed-term ones.

It is not always as great as it seems.

Alastair Ross Goobey, chief executive of Postel, who is leading the campaign, says that "a fixed [and renewable] contract of up to three years gives us no qualms".

Why not, when quite a number of three-year "fixed" contracts are actually renewed every year?

This makes them, in effect, rolling contracts of between two and three years, depending how much time has elapsed.

The practice of such annual renewals is well-known to the highly-respected Monks Partnership, which specialises in boardroom pay.

In a study undertaken a year ago, two-thirds of the chairmen and chief executives of a sizeable sample of large companies said they were on notice periods of exactly three years. Less than a fifth were on between one year and three, 7 per cent were on less than a year, and almost a tenth were on three years plus.

There has been little change since 1992, says Monks, although a few companies have cut notice periods from three years to two. Most of the 36-month notice periods are of the truly rolling variety, but some seem to be "fixed", the firm adds.

With the emergence of this further quirk in British executive feather-bedding, one can only admire last week's action of one large company, GEC, in replacing three-year rolling contracts by a three-year fixed term for new appointees; thereafter, they now get only a one-year rolling contract.

Other companies should follow suit.

Christopher Lorenz

Culinary contacts can help you influence policymakers. Peter Marsh offers a user's guide

Lunch your way to the top

In the realm of economics, there has rarely been a better time to eat your way to the centre of UK policymaking.

The pound's disastrous exit last year from the European exchange rate mechanism, coupled with the need to rebuild business confidence after the recession, has spawned a series of efforts by policymakers in Whitehall to step up contacts over lunch or dinner.

That applies particularly to the Treasury, which is increasing its meetings with outside economists and business people in an effort to make its policies more sympathetic to wealth creation.

The following is a user's guide to how the culinary contacts can help you to win friends and influence people at the centre of the mandinarate.

As a start, you could do worse than to target Alan Budd, the amiable and thoughtful chief economic adviser at the Treasury.

Appointed just under two years ago as a successor to Sir Terry Burns, now Treasury permanent secretary, Budd has told associates he wants to make the department much closer both to people in industry and in the City. His lunch diary is booked up months ahead.

If you are a manufacturer, and want to entertain a top Treasury official to lunch plus a day's visit at your factory, you could talk to Duncan Wilson, of the department's industry division.

Under an edict at the end of last year from Sir Terry, all the department's top 100 officials are to make at least one industrial visit a year. So far the programme is going well, with about 50 visits completed or arranged, but more contacts are needed.

If you fancy a few hours inside the Treasury's immensely gloomy building close to parliament, you could always try to get on to the Treasury's industrial prospects committee, which Budd set up last year. Every four months about 15 planners and economists from companies talk to Budd and fellow Treasury officials about how they see economic activity.

At these gatherings, some of the more revealing comments are made over lunch at the Chancellery, the Treasury's private dining room where menus have been greatly improved over the past two years. "The food is now quite decent, the sort you might expect at the City, with reasonable wine as well," according to one participant.

If you can't get on to the industrial prospects committee but are economically qualified, you could try your luck as one of the Treasury's seven wise men of economic advisers. The group – set up in January – is showing every sign of working cohesively. However a vacancy may arise soon, either because of the pending retirement from Cambridge University of Professor Wynne Godley, one of its members, or because one of the other wise men becomes disillusioned with the results of their six meetings a year.

Assuming you have an interest in good food as well as economics, you could contact Walter Eltis, chief economic adviser to Michael Heseltine, trade and industry secretary.

Until his heart attack, Heseltine had been showing an increasing interest in talking to top industrialists about how they see the economy, leaving it to Eltis to arrange meetings with lesser lights in big companies at the level of senior economist or finance director.

Although the future status of a "round table" of industrialists set up by Heseltine and which met for the first time recently is unclear, the lunch was described as "fantastic" by one of the people attending, Sir Christopher Lewinton, chairman of engineering group TI.

Maybe you hanker after something slightly less formal. Top civil servants, many from the Treasury, meet industry leaders 10 times a year under the auspices of the Open Dining Club. The gatherings are normally held in a London club or hotel, the food is good and the conversation relaxed. Membership is by invitation only but if you are feeling confident, why not talk to the man in charge, David Kendall, chairman of paper company Bunzl.

If you have a penchant for finance, then another dining club, White City, may be for you. The members are mainly from the Treasury, banks and finance houses and the gatherings are organised by David Anderson of Lazard Brothers. At a slightly lower level, regular lunchtime meetings involving civil servants and industry managers are held under the auspices of the Institute of Management. If interested contact Alex Beattie of engineering company Haden Young. The Department of Employment normally hosts the sessions, but the food is nothing special.

The Confederation of British Industry has been finding more of a voice recently on economic policy and the best way to influence this is to join its economic affairs committee, which meets monthly in the afternoon. Although occasionally luminaries such as Treasury officials turn up to give a presentation, one drawback is that the only food or drink on offer is a cup of tea.

Probably the grandest place to have lunch while discussing matters of economic import is at the Bank of England court or directors' council. No one quite knows how people are invited on to this but the current crop of non-executive directors contains a fair sprinkling of well-known names from industry who are brought in to advise the Bank's full-time executives.

Meetings are every Thursday, when matters discussed can include monetary policy and how the pound is faring outside the ERM. The lunch is described by one insider as "plain cooking, the kind one would find on a weekday in a country house". Soup followed by veal cutlet is often on the menu and the dessert is nearly always rice pudding.

Finally, who from the business community has the best record in getting to grips with government on economic policies? A strong candidate is Sir David Lees, chairman of GKN, who is on good terms with the Treasury as chairman of the CBI committee and also a court member at the Bank.

Others on anyone's list of outsiders with an inside track include Ross Buckland, chief executive of Unigate, Roger Hurn, chairman of Smiths Industries, Nigel Whittaker, a Kingfisher director, Ian Gibson, head of Nissan's UK manufacturing arm, Richard Freeman, ICI's chief economist, and Howard Davies, the ex-Treasury man who is CBI director general and who meets his old colleagues roughly once a month.

However, this list is not exhaustive. With enough imagination and persistance – plus a decent appetite – you could find yourself on it, too.

Bonus for quality

Toshiba's UK copier salesmen will not necessarily get bonus payments for hitting their sales targets. Dealers must also conform to the company's quality programme to gain their sales incentives.

Two years ago Toshiba launched a campaign to persuade its complete UK dealer network to register for BS5750, the widely used but increasingly controversial quality systems standard. It recently decided to provide an additional encouragement by linking incentive payments to adherence to its quality programme.

Number three in the UK copier market after Xerox and Canon, Toshiba has focused on its quality programme to boost customer satisfaction, says Angus Drever, general manager. Thirteen of the company's 80 UK dealers have qualified for BS5750 and another 20 have applied for registration. Toshiba hopes to have its entire network registered within the next two years.

BS5750 has attracted criticism because it is not a guarantee of product or service quality but a measure of the consistency of a company's internal procedures. In theory it could be obtained by providing a poor but consistent level of service.

To flesh out the standard Toshiba insists that its dealers agree to implement its code of practice, provide an eight-hour response time and regularly monitor customer satisfaction. "We could have set a 16-hour response time but nobody wants to wait two days for a repair," comments Drever.

Under the second stage of its quality programme, Toshiba has tied dealer-incentive payments into a 10-point quality programme.

It is too early to say whether the incentive scheme will provide an additional boost to customer satisfaction. But it does indicate that quality systems require an attention to detail that goes well beyond buying a certificate off the shelf.

Charles Batchelor

PEOPLE

Shirai takes the wheel at Nissan Europe

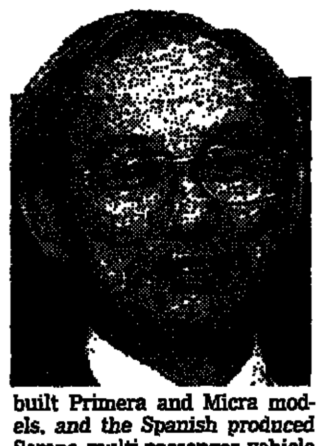
Japanese carmaker Nissan's European operations have a new man at the helm. He is Tadahiro Shirai, until recently the parent company's board director in charge of the marine division, as well as the industrial and textile machinery divisions.

Shirai, a law graduate who joined Nissan in 1960, becomes president of Amsterdam-headquartered Nissan Europe in succession to Yoshikazu Kawana, who has been directing Nissan's affairs in the UK and on the Continent for the past four years.

A keen golfer and music lover, Shirai also becomes chairman of Nissan Motor Manufacturing (UK), the Sunderland-based car manufacturing subsidiary now on course towards making 270,000 cars a year. Additionally, he has been promoted to managing director of the board of directors of Nissan Motor Company in Japan.

Kawana, who moved back to Japan last month, had been running Nissan Europe since it was set up in 1989 to integrate Nissan's various sales, design, development, manufacturing and distribution activities en route to becoming a significant production presence in Europe.

During Kawana's tenure four European-produced vehicles have been launched – the UK-built Primera and Micra models, and the Spanish produced Serena multi-passenger vehicle and Terrano off-roader.



Kawana himself has been promoted to executive managing director of Nissan Motor Company responsible for the overseas operations and parts groups.

Strong brings a new order into Freemans

Yesterday retail group Sears announced its second senior management change in less than a week, as chief executive Liam Strong continues his drive to lift the performance of the refocused group.

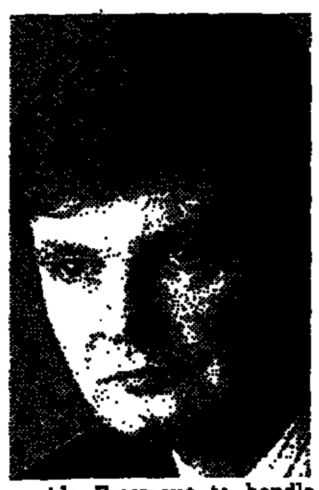
Mike Hawker, 43, managing director of Freemans, the mail order division, has resigned from the company after 13 years, after Strong decided Freemans was not improving quickly enough.

"Freemans has had reasonable performance on the whole but profits have not moved ahead in the way we would like," Sears says. "The feeling was that we needed a new pair of eyes and a new approach."

Sears announced on Tuesday it was closing Ter Meulen Post, its loss-making Dutch mail order business that was part of the Freemans division, having decided it could not be economically turned around.

Hawker will be replaced by Richard Boland (right), who joined Adams, Sears childrenswear division, in 1989, and became divisional managing director two years ago.

Boland, 42, has wide retailing experience, having started as an executive trainee with C&A in 1973, moving to Asda for a year, and then spending five years at GUS, the UK's biggest mail order group, where he rose to become one of two group merchandise managers. In 1988 he became joint managing director of Danielle, a clothing and footwear importer for a year, before joining Sears.



Described as a "creative and energetic man, the kind of man who runs down the hallway". Boland is charged with continuing the move away from the traditional system of sales agents, towards direct marketing. Some systems have already been put in place to enable Freemans to handle direct ordering from customers, rather than purely sales through agents.

Sears announced last Friday the appointment of Andrew Wileman, a partner with OC&C strategy consultants, as group strategy director.

■ Bob Harrison, head of group operations, has been appointed to the Next board.

■ Paul Bartley, chief financial officer of the US division, has been appointed a director of EVERED BARDON.

■ Kevin Austin, group financial controller of specialist publisher Harrington Kilbride since last year, has been promoted to the position of finance director. He replaces Jeremy North, who has resigned for personal reasons.

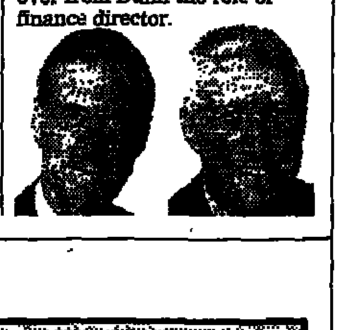
■ William Zick, formerly vice-president marketing of IFF's flavour division, has been appointed chief executive of Globe Extracts Inc, the US operation of BORTHWICKS. He succeeds Kirk Veal who returns to the UK to become group marketing director and md of Barnett & Foster; Graham Ashworth, currently md of Barnett & Foster, becomes director of corporate development of Borthwicks.

■ Jim Grant, a former director of Gateway Foodmarkets, has been appointed acting chief executive at HAMPDEN GROUP, following the resignation of Frank Brett who is returning to England for family reasons.

■ David Wilson has been appointed company secretary of BAT in place of Peter Godby.

■ Dennis Oliver, president of Ireland Alloys Inc, has been promoted to group chief executive of IRELAND ALLOYS (HOLDINGS) Ltd.

■ Harry Tuley (below left) is to become chairman of SCAPA GROUP on the retirement in October of Bill Goodall. David Dunn (below right) takes Tuley's place as group md and Derek Walter, formerly finance director of Steetley before its takeover by Redland, has joined the company to take over from Dunn the role of finance director.



Virtual reality is set to spark a revolution in drug design, reports **Della Bradshaw**

Grabbing the elusive protein

A tiny office crammed with electronic equipment in York University's chemistry department seems a far *cry from the brave new world of* virtual reality, promoted as the future craze in computer games technology.

But Rod Hubbard and his team at York are on the way to demonstrating that virtual reality – VR – could bring strong commercial benefits, not least in the increasingly complex world of new drug design.

In a research project unique in Europe, the York team, working with Glaxo, is devising ways of looking at the structure of proteins through the visionary world of the VR headset.

With the space-age headset in place, a ribbon-like representation of the protein floats across the field *of vision. A turn of the head and* the ribbon protein floats away; the touch of a button and it floats forward, engulfing the VR user. By touching another button the VR traveller can grasp the ribbon and turn it in every direction. New atoms can be added, others changed.

Proteins are especially suited to visualisation because they are such large molecules, explains Hubbard. "You're dealing with hundreds of thousands of different objects that have to be manipulated."

To build new proteins, researchers need to visualise them in three dimensions and understand the way in which particular atoms are presented on their surface. If scientists understand how the protein's structure relates to its function, then the function can be changed by altering that structure.

Peter Murray-Rust, head of the protein structure group at Glaxo, believes the VR system could help Glaxo to understand and manipulate protein molecules.

"We want to grab hold of it. We want to be able to twist it around *and ask questions about it." But he* quells any excessive enthusiasm for the project by placing any benefits of the York research squarely in the medium- or long-term.

Murray-Rust believes the explo*sion in information about proteins* means that visualisation will be essential in the future to enable chemists to do their job – "paper and two-D images" will not be enough. "We're in the middle of a revolution. A lot of drug discovery in the next decade will be information-driven as well as laboratory-driven. We will be flooded with information which will change the way pharmacologists work."

In the late 1970s researchers recognised the need to visualise proteins. They needed to represent large numbers of atoms, move them around in real time and link the images with a computer database so that the molecules could be interrogated.

Floating ribbons: wearing a virtual reality helmet chemists will be able to understand and manipulate protein molecules

The computer industry's response in the 1980s was to produce "stereo" computers. In today's stereo *systems two pictures alternate rap*idly on the screen up to 60 times a second. By donning a pair of special spectacles – sophisticated versions of the three-dimensional spectacles given away with many a schoolboy comic – the brain is fooled into seeing depth in the molecule structure.

The technology was an important step towards the use of VR in molecular modelling. Another was *advances in computer workstations*, which brought immense computing power to the scientist's fingertips. But they did not solve the basic problem of how scientists react with the molecules – tapping into a keyboard or using a mouse was not intuitive to the scientist.

As the initial year of the project at York University comes to a close, the research team has a prototype *system up and running*. Murray-Rust emphasises that it is a prototype and has limitations, but he is confident it will be the forerunner of equipment Glaxo will need to use in the future for new drug development.

One particular limitation, says Murray-Rust, is the low resolution of the two liquid-crystal television screens which sit inside the VR helmet and display the images. He *believes the quality needs to be* improved by a factor of four before the hardware could bring real benefits, but it could be several years before such systems are available at the right price.

Today, two types of system are available which do provide higher-quality images, but both are far more costly than the £30,000 to £40,000 system that the York chem*ists are using. The first is a military* technology which uses fibre-optic cables to bring 1m pixels, or picture elements, to each screen. The second uses heavier four-inch square cathode ray tubes which give supe*rior picture quality but are so heavy* that they have to be suspended from a boom and are impractical for many applications.

Researchers also need to think carefully about the software and the *way proteins are represented*, believes Murray-Rust.

"No matter how good the displays, we need to think quite carefully about how we interact with the molecules."

At York, post-doctoral researcher Mike Hartshorn has spent much of the past year developing the visual representation of the protein structures. The next stage, which should last for a further three years, is "to build real pieces of software to do real science," as Hubbard puts it.

In common with Murray-Rust, Hubbard is dismissive about much of the hype that has surrounded virtual reality. "One problem is that people think virtual reality is about walking around. But you get very tired, very quickly," he points out. "We're trying to develop applications sitting down." Hubbard *believes the widespread use of VR* in molecular modelling will not happen until the price of the hardware drops.

Jones believes that could happen quite quickly. As the technology is refined the very latest equipment will be introduced at the same price as the previous models, but the outdated equipment will drop swiftly in price, he says. "The level of performance we have today will be available at lower and lower costs."

Hubbard is also sceptical about the range of commercial applications for which VR will be used, largely because so few applications required stereo systems in the 1980s. "I cannot understand all this hype. Where are all these applications that need virtual reality that didn't need stereo in the 1980s?"

Howard Rippiner, marketing communications manager of Silicon Graphics, which specialises in three-D and VR graphics systems, believes the demand will be much greater for VR because it fulfils a wider range of uses. "Chemistry is probably the only major user of stereo devices because in molecular *modelling it is essential to see* which atom is in front of another, something which is not essential in other applications."

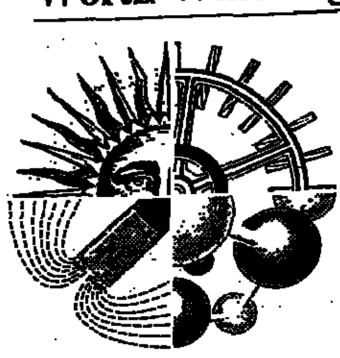
Jones points to the many commercial applications for which Divi*sion has sold VR systems – design*ing kitchens and even assessing lighting requirements. But the time taken to develop the software for the systems. – Jones estimates it takes one man-year of time to get *the best out of a VR system* – is unlikely to find many friends in the commercial world.

That could be overcome once off-the-shelf software is available. "Applications for the end-user will *come over the next year or two*," Jones estimates.

As for chemists, they are at an advantage, points out Hubbard.

"We're not as constrained as other applications in representing *the real world," he says. "In many* ways we're not working in virtual reality at all, because we don't know what molecules look like. There is no reality we have to recreate."

Worth Watching · Andrew Fisher



Smoother ride for compact discs

Some drivers while away hours on the road with rock music, others with the classics or jazz. For those who prefer compact discs rather than tapes, Sanyo of Japan has produced what it claims to be the world's smallest multi-disc player.

It fits into most glove compartments – conventional CD players have to go into the boot or under the seat – and can take six discs. The FXD-C100, with a single-lead connection, also has an anti-shock mechanism to prevent discs jumping on rough rides.

Costing £309.95, it can be linked to a radio cassette player with Sanyo's FM modulator/CD commander which has a credit-card sized remote control unit. Sonicare (UK distributor of Sanyo car entertainment systems): UK, 021 552 9797.

A closer look at shoppers

Retailers often have only a hazy idea of which promotions work best and what attractions tempt shoppers most. To help them identify what makes people stop and buy, Global Systems has come up with SelectaCount, a small device for counting and recording those going past, stopping and even picking up products.

SelectaCount is a development of another product designed to trigger spoken messages for *point-of-sale* displays. Anthony Prior, managing director, says its potential retail and market research applications are numerous.

It works by measuring the minute effect a body has on a sensitive electronic circuit. "It's so sensitive, it can even measure people hiding behind doors, walking past a shop window or even standing behind a brick wall."

SelectaCount can be rented from 75p a week or bought for around £150. Global Systems: UK, 0273-329880.

Snapshots show off on screen

Photographers who delight in showing snaps to friends, family and colleagues can now do so wherever there is a television screen.

Kodak's new Photo CD Portable Player, PCD 885, allows users to screen their photographs on any TV set. Slides and negatives, new or old, can be scanned onto Photo CD discs during normal processing.

The device, costing £399, can be used for professional presentations at business locations. As well *as its Photo* CD uses, it is also an audio CD player.

The product was developed jointly with Philips, the Dutch electronics group.

The Photo CD functions include a zoom facility, picture rotation, panning to move images around screen and a selection facility to change the sequence. Up to 100 pictures can be stored on each *Photo CD*. Kodak: UK, 0442 845710 US, 800 242 2424.

Through the language barrier

Japanese is one of the world's most complex languages, so transmitting information in Kanji, Hiragana, and Katakana – the three alphabets – on to a trading screen poses a challenge for users of financial information systems.

However, one of Japan's big banks is now operating with a new version of Fist, the dealing room system, which can recognise characters in Japanese. It is used in the bank's new equities trading division.

Developed by Kapiti of the UK, Fist can be converted into other languages such as Arabic and Cyrillic.

Also, among European languages, it will recognise unusual characters (as in Swedish), French accents and cedillas and German umlauts. The company claims Fist is the only trading system with such multi-lingual capabilities. Kapiti: UK, 0753 573244

ARTS

Art Exhibitions / Lynn MacRitchie

The self-destructive demolition man

The art world has a hunger for self-destructive heroes and Gordon Matta-Clark, son of the surrealist painter Roberto Matta, famous for sawing buildings in half and dead at 35 seemed a perfect example of a dubious stereotype. I approached the retrospective of his work which now fills London's Serpentine Gallery prepared to be cynical, but came away impressed. For it is ultimately not the daring of the famous set pieces – where the artist cut away whole sections of buildings, revealing and articulating the unseen spaces within – which is so striking, but the underlying seriousness and consistency of approach which Matta-Clark brought to all of his work, from the smallest drawing to the grandest project.

The exhibition repays careful attention, and indeed requires it, as many of the pieces on show are photographic records of projects or sketches and notes for activities. There is also a comprehensive video programme, well worth seeing for a glimpse of the New York loft scene as well as the drama of the artist in action, power saw in hand, making his inimitable "cuts" through the abandoned buildings of the New York environs or the tenements of Paris.

Matta-Clark was one of the artists living and working in Manhattan during the 1970s who sought a wider agenda for their activities than that defined by the writings of Clement Greenberg, who insisted on the separateness of different art forms and the primacy of abstraction. Their generation was anxious to break away from the concept of a pre-eminent form or formula for art, seeking inspiration through cross media experimentation.

Matta-Clark, trained originally as an architect, questioning and innovative by nature, embodied this principle as well as being an active participant in the group discussions and collaborative works, which embraced painting, sculpture, dance, theatre, film and video in an attempt to expand not just the form but the content of artistic activity.

These young radicals wanted art to be about life, and to live in New York at that time was to experience a great conurbation in crisis, a metropolis which seemed to have lost its sense of identity. The most obvious manifestation of this malaise was urban decay. Huge tracts of the city in areas such as the South Bronx and Lower East Side stood derelict, the buildings scarred by fire.

Matta-Clark began to work in these environments, places where courage was required just to walk down the street. "I made a series of visits to ... ghetto areas ... cutting away rectangular sections of the floor or walls to create a view from one space into another. The sections were ... removed from their original positions and taken to an art gallery."

As Dan Graham put it: "Matta-Clark used houses and building structures which were about to be demolished and created deconstructed 'ruins' which reveal hidden layers of socially concealed architectural and anthropological ... meaning."

One of the most satisfying of these was done not in New York but in Paris. "Conical Intersect" was made for the Paris Biennale of 1975. The exhibition includes photographic, film and videotape records of the piece, which involved removing a large section of wall, floors and ceilings from two 17th century tenements standing next to the skeletal form of the newly-rising Centre Pompidou.

Filmed from across the street, chips of stone first begin to fly from the ancient wall, as if a huge chick was struggling to break free from the blackened stone. Then a great slab falls away, revealing the hard-hatted figures of Matta-Clark and an assistant through the sizeable hole their hammers and saws have wrought. They continue to work, removing floor supports and sections of internal wall to create a spiralling curving shape, the abandoned space becoming a living sculpture before our eyes. Its final destruction was effected by bulldozer immediately the project was finished, which the film also shows.

Watching, the difference between creation and destruction becomes clear. Matta-Clark's intervention, by recognising and revealing for the last time the principles of its construction, gave the ancient building one more flash of life before "progress," the one certainty of city existence, brought about its end.

Seen from a distance of 20 years, Matta-Clark's work, and some of the activities with which he was associated, have a curious innocence. The festivals and performances, the discussions and debates, the communal artworks addressed serious social issues in a spirit of celebration. But things change. "That was before the drugs," as one former participant remarked.

It was not drugs but cancer that killed Gordon Matta-Clark. It is hard to imagine what he might have been doing now, and sad that he is no longer bringing his energy and inventiveness to bear in an art world which some feel has once more withdrawn into its own concerns, further removed than ever from engagement with those profound social contradictions which he explored with such elan.

Gordon Matta-Clark, Serpentine Gallery, Kensington Gardens, London W2 3XA. Tel 071 402 6075/0343. Supported by American Airlines.

"Splitting", photo-collage of deconstructed house by Matta-Clark

Opera

Students rise to a Queen

The London Royal Schools' Vocal Faculty is marking the Tchaikovsky centenary with *Queen of Spades*. The choice raised a doubt or two prior to performance: the colleges seemed to be neglecting an opportunity to explore among the composer's rarer operas. But at Monday's performance almost all misgivings were dispelled (except over the Faculty's decision to give the opera in often unidiomatic Russian): for what emerged was one of the most consistently strong student stagings of recent years.

The Tchaikovsky brothers' adaptation of Pushkin – Modest served as librettist – is far from faithful to the original; and in the Royal College of Music's Britten Theatre Malcolm Fraser's production removes it even further. Taking as a starting point the story's final lines, which tell of Herman's insanity, he stages the opera as Herman's recollection of the events that led to his undoing. Tchaikovsky's music may suggest something different, but Fraser's staging is carefully thought through and brilliantly executed.

Herman is on stage for much of the evening – the opening boy-soldiers' chorus is enacted as a childhood memory – but most of the dramaturgy remains unchanged. Fraser's *coup de théâtre* is the masked ball and pastorale of Act 2, staged as a nightmarish memory of the Countess's funeral, the Master of Ceremonies now a heavily bearded Russian Orthodox priest, the top-hatted guests dressed in black and wearing deathly masks. Fay Conway's lavish costumes are of the composer's time, with Prince Yeletsky a Tsar Nicholas look-alike.

The opera, performed in Roger Butlin's single set, gains from the intimacy of the Britten Theatre. *Outstanding* in Monday's cast (the first of two alternating sets) was the Lisa of Susannah Glanville, a gleaming soprano who sang in well-projected Russian. James Barrett, a dramatically strong Herman, tended to force his tenor; this production downplay's the character's heartlessness in favour of wild-eyed insanity, expressions which Barrett adeptly conveyed. James Lawrence was a mellifluous but restrained Yeletsky, Paul McNamara a debonair Tomsky. The Bulgarian Violetka Ivanova was a vocally healthy Countess; another Bulgarian, the bass Tihomir Androlov, stood out as an idiomatic Surin.

The chorus was strong. Michael Rosewell drew excellent playing from the orchestra, passionate but not always dark enough. That element was abundantly provided in the staging.

Britten Theatre, Royal College of Music, London SW7: last performance tonight.

John Allison

Threat to orchestras

The Arts Council is close to a kill. For years it has tried to reduce the number of symphony orchestras in London. It would like to cut the four – the LSO, LPO, RPO and the Philharmonia – to two, believing this will give London two orchestras of guaranteed world class quality.

But the orchestras have been unwilling to commit suicide. Yesterday the Council announced that it would continue to fund generously the LSO, which seems to be on a creative high, but the other three will have to make out a case for future subsidy before a committee chaired by Sir Leonard Hoffman. He must choose just one for support.

But his card is marked. The Council has poured money into the LPO, setting it up as the resident orchestra at the South Bank. It looked with favour on its merger with the Philharmonia, which also has a base on the South Bank. It has hinted that it would consider a merged organisation and fund extra players. The obvious aim is to squeeze out the RPO, which is considered too commercial and has seen its subsidy reduced to £400,000, just 7 per cent of its revenue.The LSO and the LPO already receive £1,128,500 a year.

But if the Council is moving towards a decision on orchestras it is still unwilling to name the 10 theatre companies it has marked for closure. Under a revision of its priorities it is giving £664,000 more to dance, £460,000 to visual arts, and £156,000 to education. Drama is paying the price, losing 3.6 per cent of its £40.1m budget, and 10 regional companies have been prepared for execution. But the decision has been delayed while regional Arts Boards have their say.

All this is taking place against the expectation of a 2 per cent reduction in government support for the Arts Council in 1994-95. If the Council manages to do better in the chancellor's Budget some of the threatened drama companies will survive. But all arts companies can expect to receive 2 per cent less next year than they get now, and with falling box office, business sponsorship, and local authority revenue, this is creating a deepening crisis.

Antony Thorncroft

Alastair Muir

Janet McTeer as Beatrice in "Much Ado About Nothing"

Theatre

Ado: a joy, a triumph

Shakespeare has returned to Shaftesbury Avenue for the first time since nobody seems quite sure when. He may even stay there for a while if this production of *Much Ado About Nothing* is anything to go by.

For a start, it is extremely funny. Here is a West End audience laughing out loud and frequently at Shakespearean jokes. Matthew Warchus's direction is also very clever: a new interpretation without fundamentally deviating from the text. It could, for a time, become definitive, for it stands the old conventional assumptions about the play upside down.

One of the keys is Mark Rylance's Benedick. This is not an urbane, self-confident figure, admired by all women yet determined to keep a certain distance. On the contrary, Rylance is physically small and not obviously attractive. He speaks with a heavy Northern Ireland accent and seems self-condemned to bachelorhood because he cannot believe that anyone would marry him, let alone Beatrice. Everyone else in the play speaks fairly normal English.

Janet McTeer's Beatrice is physically very large beside him, almost gawky. She enters to summon Benedick to dinner eating a banana in a none-too-elegant fashion. She does not dress well either, and nor do any of the other women: sort of 1920-ish costumes picked up from Oxfam many years later. Ms McTeer's hair is nearly always a mess.

On the other hand, this Beatrice is plainly a dominating personality, more interested in her intellect than her appearance. Presumably she admires Benedick for his defensive wit and because, like her, he is slightly outside the physical norm. The interpretation helps to make sense of the one jarring note in an otherwise amiable play: her sudden command to Benedick to kill Claudio. It comes close to being in character, as if she is initiating a coup by the most intelligent people in the play.

Beatrice and Benedick apart, the chief wonder of *Much Ado* is the sheer Englishness of the justice scenes. Here are officers of the watch thoroughly out of their depth both with the law and the language: clearly the underdogs in the social hierarchy. The appropriately named Dogberry uses malapropisms long before Sheridan invented them. Yet what do these incompetent, bumbling officers do? They apprehend the villains in a way that their superiors could never attain to. A great deal of the mythology about English justice and the English character is contained in these sections. They were the forerunners of the Bobby on the beat.

Dogberry is admirably played by Gerard Kelly, but if you want the additional pleasure of a tiny vignette, watch Brian Shelley as Verges, the junior officer who is hardly allowed a word.

He longs to be allowed at least to shake hands with Leonato, the Governor of Messina, at the end, but the officious Dogberry pushes him aside. Along with Bottom in *A Midsummer Night's Dream*, here is Shakespeare as the quintessential Englishman who probably liked cricket.

The reason, I suppose, why the Bard is now so seldom played in the West End is that he is so expensive. Even *Much Ado About Nothing* contains 18 characters, and there is of course a diet of Shakespeare at the Barbican and the RNT. Yet this production, mounted by Thelma Holt, shows that it can be done. The direction is as fresh and inventive as you likely to find at the established institutions, and on the second night the audience loved it. Long may it last!

The Queen's Theatre, Shaftesbury Avenue, London. 071-494 5040

Malcolm Rutherford

One very sexy Dream

You would think that an Irish ancestry had suddenly been discovered by the Bard. This Gate Theatre project is the second *Shakespeare comedy to* be given a major production in Dublin this year, and there are two productions of Romeo and Juliet and two Hamlets coming up, plus *Othello* and *The Winter's Tale* in the autumn.

This is a director's Dream, a bold inheritor of the famous 1970 Peter Brook production, deriving from the same theories of the Polish critic Jan Kott which, baldy summarised, suggest that the Dream is in fact all about sexual repression. The director, Joe Dowling, is one of the best things to come out of the Abbey Theatre in the last 20 years. Since leaving there after policy disagreements in 1985 he has worked mainly in North America and the West End.

The opening scene at the court of Theseus is played on a bare stage, with the royal thrones on a central dias raised above the heads of the defiant young lovers. From the very start a masterly directorial hand is evident in the way that gesture, even pantomime, is used to subvert the familiar words. For example, when Hermea refuses to marry the chosen suitor, Theseus' sulky bride-to-be Hyppolita silently gives her a sisterly kiss.

The transformation of Hayden Griffin's originally austere set into an earthy, menacing fairyland owes much to the art of the lighting designer, Rupert Murray. Large phallic inflatables take up most of *the floor space* and are shaded in ever-shifting browns and greens. The funky-punk fairies dance dementedly in painted body suits embellished with feathers and fur. Oberon glides on as a cross between Dracula and Superman with heavy brown y-fronts worn over his cat suit, a long translucent cape swinging from his shoulders.

It is essential for this reading of the play that the part of Theseus and the fairy King Oberon are played by the same actor, similarly Hyppolita and Titania are doubled, as are the Master of Revels Philostrate and Puck in order to emphasise the parallels between the rigid, repressed court and the freedom of the fairy world. This tightens the play up and makes sense of hitherto problematical sets of characters.

Stephen Brennan struts a sexy Oberon, but also gives him warmth and depth, while his Theseus is cold and pompous, but not beyond redemption. Flo MacSweeney's Titania is a bit of an airhead, but her Hyppolita is a woman of commanding presence. Evroy Duur, as a black Philostrate, is unremarkable; as Puck his colour makes him, as he should be, different from the fairies, but his heavy build and lithe movements and his strange way with the verse count for more.

His accent also contributes to the pleasantly cosmopolitan feel of this production, in which Irish accents mix easily with more conventional English ones. So does the score by the Canadian composer, Keith Thomas. Do not be put off by the fact that it contains elements of rock and rap; it is also influenced by Irish dances, Elizabethan music, Broadway hits and more, but Thomas never overdoes an effect. One of the best of these is a live percussionist who greatly enhances the fairy scenes.

Outstanding among an exceptionally good cast of "mechanicals" who present a more than usually hilarious "play within the play" is Stanley Townsend, whose swaggering Bottom will be long remembered not only for an uncannily realistic ass's head, but also for a gloriously protracted death in his role as Pyramus. In fact all 21 members of the cast display admirable polish and generate extraordinary energy. If there is no great subtlety in Dowling's vision, at least his interpretation is clear, and its lively presentation provides an often magical and consistently enjoyable evening of theatre.

Alannah Hopkin

INTERNATIONAL

ARTS GUIDE

Visitors to this year's Edinburgh Festival (Aug 15-Sep 4) will find that, as usual, the local art institutions have gone their own way, largely ignoring the festival's chosen themes. But there is still plenty to catch the eye. The National Gallery of Scotland's summer show is entitled Holbein and the Court of Henry VIII (July 23-Sep 26). It consists of an outstanding collection of drawings and miniatures on loan from the Royal Library, Windsor, and provides a vivid impression of members of the court, from the heroic Sir Thomas More to the treacherous Richard Southwell.

Edinburgh is also hosting the only UK showing of Russian Painting of the Avant-Garde, at the Scottish National Gallery of Modern Art (until Sep 5). The exhibition shows how the social and political transformation of Russia between 1905 and 1925 was echoed in a period of intense creativity in the visual arts, characterised by the revolutionary work of figures such as Kandinsky, Malevich and Larionov. For decades, many of these paintings were relegated to the storerooms – until the recent political upheavals in Moscow allowed their rediscovery.

***The Royal Scottish Academy* is showing watercolours, drawings and prints by Scottish artists which, for reasons of conservation, cannot be permanently displayed (Aug 4-Sep 12). Selected from the national collections, they include intimate chalk drawings by Allan Ramsay and David Wilkie, spectacular watercolours by Charles Rennie Mackintosh and Joseph Crawhall, and a broad range of contemporary works.**

The Scottish National Portrait Gallery offers two shows – paintings, embroideries and decorative enamelwork by Edinburgh artist Phoebe Anna Traquair (1852-1936) and Photographing Children.

EXHIBITIONS GUIDE

AMSTERDAM
Van Gogh Museum The Potato Eaters: sketches, drawings and paintings leading up to the chef d'oeuvre of Van Gogh's Dutch period. Ends Aug 29. Courtesans in Japanese Prints. Ends Aug 29. *Daily*
Rijksmuseum Rembrandt in a new light: seven restored paintings. Ends Nov 1. The Jacobus Klaver Collection: 100 Dutch 17th and early 18th century drawings. Ends July 25. Closed Mon
BARCELONA
Fundacio Joan Miro Joan Miro: large-scale centenary exhibition. Ends Aug 30. Closed Mon
BONN
Kunst- und Ausstellungshalle The Desire to See: 500 paintings, projections and installations, tracing the development of the unbroken 360-degree panorama picture from the early 19th century until the invention of moving pictures a century later. Ends Oct 10. Alexander Calder: 12 monumental sculptures. Ends Sep 30. Closed Mon
Kunstmuseum Markus Lüpertz (b1941): 170 paintings and drawings by a central figure in the development of German art in the past two decades. Ends Sep 26. Closed Mon
CHICAGO
Art Institute The Art of Holy Russia: *120 objects from the* Russian State Museum in St Petersburg, dating from the 11th to 18th centuries. They include panel paintings, textiles, metal liturgical objects, miniature icons, manuscripts in medieval Slavonic script and objects carved from wood, ivory and stone. Ends Sep 15. Chicago Architecture and Design 1923-93: 400 pieces focusing on themes of the urban world as it changed after the Great Depression and the Second World War. Ends Aug 29. The Moscow Avant-Garde 1955-91: 10 architects from the postwar period. Ends *Aug* 15. Daily
DRESDEN
Albertinum South-West German Art 1914-45: a survey of trends in artistic circles in Stuttgart, Karlsruhe and other centres between the wars. Ends Aug 29. Closed Thurs.
Zwinger 18th century Chinese pink porcelain from Dresden collections. Ends Sep 22. Closed Fri.
ESSEN
Folkwang-Museum Morosov and Shchukin, Russian Collectors: 120 works from the St Petersburg Hermitage and Moscow Pushkin Museums, representing the remarkable collection of French impressionists and early moderns built up by two Russian entrepreneurs in the early years of this century. Ends Oct 31. Closed Mon
FRANKFURT
Schirn Kunsthalle Eduardo Chillida (b1924): 100 sculptures and 60 works on paper from all periods in the Basque artist's life. Ends Sep 5. Also Antoni Tapies (b1923): 60 paintings and 50 drawings by the Catalan painter. Ends Sep 5. Daily
Städel Franz Gertsch: woodcuts by the Swiss artist. Ends Aug 8. Dan Flavin: installations 1989-93 by the American artist. Ends Aug 22. Closed Mon
GENEVA
Cabinet des Estampes Goya and Rembrandt: an exhibition tracing the influence of the Dutch master on the Spanish painter. Ends Sep 5. Closed Mon
Musée d'art et d'histoire Egyptian Blue: glazed earthenware from Egypt. *Ends Sep 19. Closed Mon*
Musée Rath Contemporary Swedish Art: a selection of work by eight leading Swedish artists. Ends Sep 26. Closed Mon
LAUSANNE
Musée d'Art Contemporain Jean-Michel Basquiat (1960-88): 100 paintings and drawings by the Brooklyn artist who received no formal artistic schooling. After initially drawing attention through street graffiti, Basquiat enjoyed a brief, *meteoric career through* the expressive spontaneity of his images, often reflecting the harsh realities of street life. Ends Nov 7. Daily
Fondation de l'Hermitage Monet and His Friends: 40 paintings by Monet himself, chosen from the Musée Marmottan and private collections, plus impressionist and post-impressionist works by Sisley, Renoir, Manet, Pissarro, Signac and others. Ends Sep 26. Closed Mon
Musée Cantonal des Beaux-Arts Balthus (b1908): more than 80 paintings and drawings by Balthazar Klossowski de Rola, the French painter from a Polish background who was encouraged by Derain and Bonnard. Ends Aug 29. Closed Mon
LONDON
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Also Summer Exhibition. Ends Aug 15. Daily
Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Turner's Painting Techniques. Ends Sep 12. Daily
National Gallery 18th and 19th century paintings and drawings from Lille. Ends July 11. Also ten Velazquez paintings from Aspley House. Daily
Accademia Italiana Italian Art Treasures, including works by Guercino, Domenichino and Caracci. Ends July 25. Daily
NEW YORK
Guggenheim Museum Paul Klee: 60 works from the museum's own collection, spanning the Swiss-born artist's career. Ends Sep 19. Also *Rebecca Horn: first full-scale* retrospective of the German artist. Ends Oct 1. The SoHo site has Singular Dimensions in Painting: minimalist works from the 1960s and 70s. Ends Aug 22. The main museum is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Drawings from the Getty Museum: 120 works by Titian, Raphael, David, Rembrandt and many others. Ends Aug 8. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. Closed Mon
Whitney Museum of American Art American Art in Transition 1955-62: 140 works by 21 artists, exploring the transition from Abstract Expressionism to Pop Art. Ends Oct 10. Closed Mon
Museum of Modern Art Latin American Artists of the 20th century: 300 works by 90 artists from 1914 to the present. Ends Sep 7. Closed Wed
PARIS
Louvre Copier-Créer: from Turner to Picasso, 300 works showing how artists copied the great masters. Ends July 26. Closed Tues
Petit Palais The Splendour of Russia: a thousand years of goldsmiths' work. Ends July 18. Closed Mon
PRAGUE
Convent of St Agnes of Bohemia German and Austrian Architecture in Moravia and Silesia: photographs, models, original plans and designs which were realised during the 20th century in Moravian and Silesian towns and cities, and which were until recently given *scant attention*. Ends Oct 17. Closed Mon (U Milosrdnych 17, Stare Mesto)
Wallenstein Riding School Expressionism and Czech Art 1905-27. Ends Oct 19. Closed Mon
Kinsky Palace Rembrandt and his era: 30 Rembrandts from the National Gallery's collection, plus works of contemporary masters. Ends Aug 1. Closed Mon
WASHINGTON
Hirshhorn Museum Jean Dubuffet: 97 paintings, sculptures and assemblages by the unconventional 20th century French artist. Ends Sep 12. Daily
National Gallery of Art The Great Age of British Watercolours 1750-1880. Ends July 25. Great French Paintings from the Barnes Foundation: 80 French impressionist, post-impressionist and early modern paintings. Ends Aug 15. Daily
Arthur M Sackler Gallery The Divine Word of Islam. Ends Jan 2. The Golden Age of Sculpture from Sri Lanka. Ends Sep 26. Daily
ZURICH
Kunsthaus The Nabis. Ends Aug 15. Closed Mon
Museum Rietberg Masks and Costumes of Japanese Theatre. Ends Aug 22. Closed Mon

Two of a kind: David Marsh on industrialists with different perspectives but similar aims for Europe

Convergence path strewn with crises

Mr Jean-Louis Beffa, chairman of Saint-Gobain, the French industrial conglomerate, surveys Europe from a tower-shaped *looking glass*, the company's mirrored office block in the La Défense district of Paris. He does not much like what he sees.

"We need to pay attention not to Europe's objectives, but to how it functions," he says.

Thickset and courteous, Mr Beffa provides ample evidence that Europe-mindedness can improve corporate health. After steadfastly working his way up the Saint-Gobain chain of command, he was appointed to the top job at the then state-owned group in 1986. Now 51, he shepherded it through privatisation with a mix of élan and elbow-grease. With a series of acquisitions in Europe and the US, he strengthened Saint-Gobain's position as Europe's largest maker of glass and insulation materials.

Now, however, profits have fallen, mainly through Europe-wide economic slowdown, high interest rates and foreign currency devaluations. EC policy disarray, Mr Beffa says, is nibbling away at the foundations of the company's business: the European single market.

Further, the stresses of German reunification have disturbed the traditional balance of interests between France and Germany – which together account for half Saint-Gobain's turnover. The strains are evident among ordinary people as well as among politicians.

But Mr Beffa's chief complaint is about lack of economic and political convergence across the Community. "There is a crucial difference between an integrated European Community and one which is merely a zone of free trade. There has to be a number of areas of common policy – on economic policy, monetary affairs, social affairs, industrial and commercial policy and so on. Fragmentation in these areas causes problems. If there are too many differences, they threaten the existence of the single market."

Mr Beffa's competitive spirit is not in doubt. He has just examined the latest results from Pilkington, the UK glassmaker and Saint-Gobain's arch-rival. His conclusion is polite but triumphant: Saint-Gobain's earnings ratios are better.

Jean-Louis Beffa: 'We must work out firm rules of the game'

But there are furrows on Mr Beffa's brow. One is caused by exchange rate difficulties. "The instability created by the foreign exchange movements in September have been extremely harmful. When other EC currencies devalue by up to 20 per cent, this can cause a brutal shock.

"Sharp fluctuations of foreign exchange rates undermine the calculations made on where to site specialised production facilities."

Because of the company's range of EC manufacturing sites outside France – mainly in Germany, the UK, Italy and Spain – "Saint-Gobain can shield itself to a certain extent against these developments. But these exaggerated movements must be avoided", says Mr Beffa.

'Sometimes you even need British pragmatism – the tendency to look at the short-term'

A second, linked, concern is French economic weakness – caused partly by high domestic interest rates to maintain the franc's parity against the D-Mark. "For us, 1993 will be a very difficult year. But the worst point of the recession could be in the second half of this year – 1994 should see a certain upturn."

A further reason for Saint-Gobain's weaker performance has been increased competition from eastern Europe in products such as flat glass. "Exports of some eastern European products have rapidly increased." Access to EC markets needs to be "organised". "We must work out some firm rules of the game. Otherwise, the west will suffer painful consequences in terms of higher unemployment."

In Mr Beffa's critique of the way the Community works, he refuses to join in criticism by some French politicians that Britain is trying to undercut other countries' wage rates through devaluation and "social dumping". Although Mr Beffa says the UK shows "a relative lack of enthusiasm for Europe", he adds: "This is not enough to make me say that everything Britain does or says is anti-European. Sometimes you even need British pragmatism – the tendency to look at the short-term and not just at the horizon."

Mr Beffa is more concerned about costs in Germany, where 15,000 of the 100,000 workforce is employed. Mr Beffa says wage costs are 5 per cent to 10 per cent higher than in France. During Germany's unification-induced boom between 1989 and 1991, the impact of the extra costs was offset by higher sales. "Now that German activities have been hit by the German downturn, we need to bring our costs in line with volumes."

On the wider question of the Maastricht timetable for economic and monetary union, he says Germany holds the key. "If, by the end of the year, there is a substantial cut in German interest rates, we will be going in the right direction. Otherwise, there will be problems."

Two shorter-term goals take precedence over the longer-term Emu objective. One is achievement of currency stability. The second concerns the Bundesbank's monetary policy. The Maastricht treaty, he says, "laid down an objective for the future. But we need a plausible path for the transition period before we get there.

"What is important is not whether we have one day a single currency, whether it's the Ecu or anything else. It is much more important that countries follow coherent and convergent economic policies to bring exchange rate stability, and that the central bank in charge looks at the economic situation across the whole of the European Monetary System when making decisions on interest rates."

Mr Beffa leaves to the politicians the question of how to attain more convergence. Yet without it, he knows the view from Saint-Gobain's tower will become still cloudier. "If each country follows different policies, the economic crisis can only be deeper and longer."

Down-to-earth member of the club

Sir Patrick Sheehy, the chairman of BAT Industries, is a plain-man's European, a dispenser of common European home truths. The head of the UK-based tobacco and financial services group is a frequent speaker at high-flying European conferences. Yet he looks more at home in a golf club than the debating chamber.

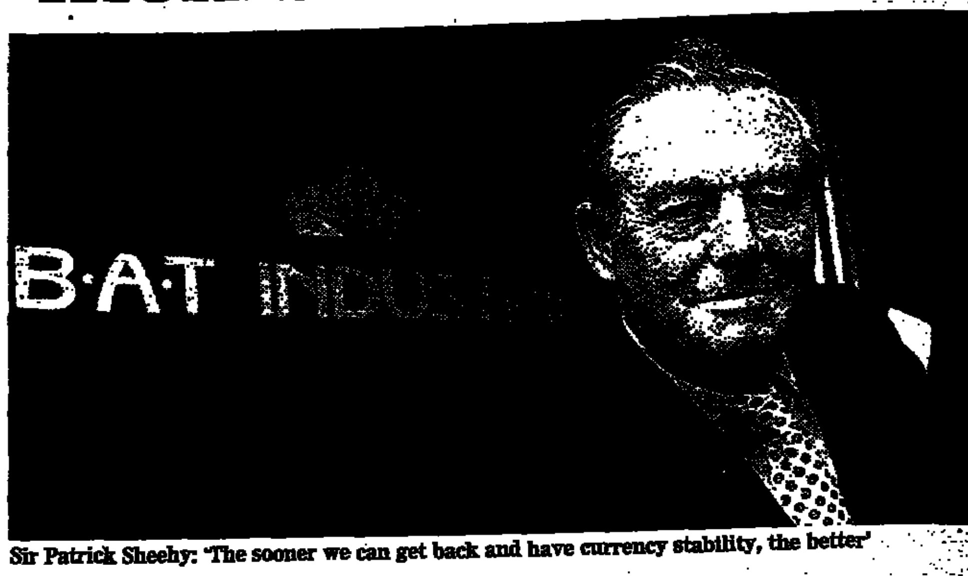
In his office overlooking the spires of Westminster, Sir Patrick spells out with inelegant forcefulness his desired way forward across the continent's undulating terrain.

A firm believer in European integration, Sir Patrick, 62 years old – 43 of them spent with BAT – favours ratifying the Maastricht treaty. "Let's stop the bickering and get Europe to work." But he has no illusions about where the treaty will lead. "I think the Maastricht treaty will be largely renegotiated in the next negotiations in 1996. I don't think very much in the treaty will be implemented between now and that time."

With ruddy cheeks and a rasping chuckle, Sir Patrick presides over one of Britain's truly global companies. He was born in Burma, started his business life in Nigeria, Ethiopia and Jamaica, speaks good French and passable Spanish and Dutch. He organises annual Anglo-French conferences. "I wouldn't feel uncomfortable if my wife said: 'Let's retire to Italy or Spain.'"

He is more than a businessman: he spent a year preparing a government-commissioned report, just published, recommending fixed-term contracts and performance-related pay for British policemen.

He is, however, no pious grandee. His vision is uncluttered. His goals – free trade, productivity, prosperity – are straightforward. And his language is devoid of anything approaching romanticism. "BAT has done a great deal of [European] integration. But we haven't reached the high point. We have fewer factories today in Europe than before. I would imagine that in the next 10 years we would have even fewer. If we had a single currency, we would have a greater certainty of long-term costs, we would get better productivity in larger units."



Sir Patrick Sheehy: 'The sooner we can get back and have currency stability, the better'

Sir Patrick is the UK board member of the Association for Monetary Union in Europe, a group of experts and businessmen promoting economic and monetary union. But he sees little prospect that it will happen in the next few years. "I don't think that we [Europe] will meet the target for a single currency by 1999. I don't think the Germans really want it. The Danish prime minister told me this the other day."

Sir Patrick, a member of the Round Table of European businessmen, believes in a European business culture. "If you sat in an American culture, you'd find a different way of doing things."

'That's what I learnt at school, that money is meant to be a store of value'

He sometimes swaps information on salaries with other European chairmen. Earning nearly £1m last year, does Sir Patrick consider himself greedy? "No I don't. It's a competitive salary for the job, certainly in European terms." What does he do with the money? "One of the things I always feel is, if I spent an hour and a half a day on my own affairs, I might be a very much more wealthy person. I leave it all to somebody else to manage."

Long-term desire to spread risk, Sir Patrick believes, is the reason why Britain must remain interested in Emu. "I cannot conceive of Britain, which has this huge financial services industry, not being in a single European currency, when all the other 11 are."

Sir Patrick supports an early British return to the exchange rate mechanism. "The sooner we can get back and have currency stability, the better. I don't feel happier or wealthier, nor do our shareholders, with the fact that we've devalued by 20 per cent... There's a good case for having a currency that would hold its value. That's what I learnt at school, that money is meant to be a store of value."

Deeper western integration is being postponed, but Sir Patrick believes the EC should press on with eastward expansion. He enthuses about the "long-term eastern promise" in BAT's joint ventures with the former Soviet bloc. "We made profits in our first year in Hungary – it was not expected."

As part of efforts to forge stronger eastern links, he believes the EC should liberalise trade with eastern Europe. "I think it's deplorable that we are being so restrictive."

Western Europe's lack of generosity towards its eastern neighbours illustrates, he says, a tendency to "beggar my neighbour policies" among European governments.

Protectionist tendencies in the Community represent one reason why Sir Patrick professes no great admiration for EC politicians, whom he labels as "out of touch".

He was pleased however at the change of prime minister in the UK. John Major, he says, "prefers to be a member of the [European] club". People such as Lady Thatcher, says Sir Patrick, tend to exacerbate the cultural gap between Britain and other EC countries. "The cultural thing is there – yes, and it's fed by jingoist politicians, if you like."

Is Lady Thatcher a jingoist? "Yes, she's a little Englander, if that's the definition of a jingoist. She keeps on talking about how we have an alternative of being a strong partner – economic, politically and militarily – of the US.

Sir Patrick's view is more down-to-earth. "My perception in America is that they believe Britain is an offshore island on the continent. We make ourselves out to be much more important to the Americans than we actually are."

This is the first in an occasional series on EC personalities. Next week: secret service chiefs

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

EdF's position miscast

From Mr Christian Nadal.

Sir, The article "Where big is beautiful", which was published in your Power for Europe survey (June 22), is factually incorrect.

It states that: "EdF's view of privatisation was reflected earlier this year in a series of highly critical reviews of the UK experience. The reports, which EdF commissioned from outside consultants, concluded that privatisation in Britain was characterised by price increases, economic disruption..."

EdF never commissioned these reports on the British electricity system. The reports to which you refer were commissioned by the "Comité d'Entreprise" of EdF, which is entirely independent of management influence and in no way represents the views of EdF's management.

In France, members of "Comité d'Entreprise" are composed of staff representatives. In accordance with French law, these "Comité d'Entreprise" have funds set aside for commissioning external studies.

On February 24, David Buchan, FT correspondent in Paris, attended the press conference organised by EdF staff representatives who presented the reports mentioned above. This was correctly reported in your paper at the time. Unfortunately an error was made when this story was repeated in your survey.

Christian Nadal,
director,
Electricité de France,
Paris

Not that bad

From Mr Andrew Carroll.

Sir, "One in 10 newly qualified teachers unsuited for job" you reported (July 1). As a private sector management consultant, I would have been delighted to have found an organisation that was so successful. How many companies can claim to achieve a success rate in excess of 90 per cent with its professional and managerial recruits?

Andrew Carroll,
61 Craigie Road,
Perth PH2 0BL

Ambiguity over provision of careers guidance is wasteful

From Mr Richard Brown.

Sir, Howard Davies is right in saying Training and Enterprise Councils should not be directly involved in providing careers guidance, but should be strategic overseers ("Dear David: shall I stay on at school?", July 7). What is surprising is the suggestion that *this is controversial*. The 1993-94 Guidance to Tecs from the departments of trade and industry and employment states: "Tecs should as a rule contract out provision of services rather than deliver it directly." The president of the board of trade's introduction makes clear: "I do not see Tecs as the direct deliverers of services where these are available from others."

Ambiguity between enabling and delivering services is perpetuating a confusing, wasteful and inefficient patchwork of services in both careers guidance and the whole panoply of business and enterprise services. This masks the true effects of public spending, and distorts the influence of the marketplace.

Richard Brown,
director of policy,
Association of British Chambers of Commerce,
9 Tufton Street, London SW1

Portrayal of Einstein's teacher unfair

From Dr Roger Highfield.

Sir, Michael Dixon's example of a recruiter's nightmare (*Jobs Column*) – Heinrich Weber's rejection of Einstein – is rather unfair. I suspect that, in Weber's shoes, most of us would have done the same.

From my research on a forthcoming biography of Einstein, I can say that Weber's apparent folly is another example of the mythology that has obscured the real story of the century's greatest scientist.

The reasons that Einstein became the only one of the four 1900 graduates from Section VIA of the Swiss Federal Polytechnical School (now called the ETH) not to secure an academic position are:

- Einstein's cocky manners and his irregular attendance at classes had not endeared him to the polytechnic staff. Weber, Einstein's physics lecturer, had told him that his cleverness was marred by one great fault: "You'll never let yourself be told anything." Einstein retaliated by addressing him as "Herr Weber", instead of the formal "Herr professor".
- The average grade of Einstein's final examinations for the teaching diploma was 4.91. This was undistinguished, given that the marks of the others who passed the exams ranged from 5.14 to 5.45.
- Weber, an experimentalist, took on two mechanical engineers that year, while Einstein was a theoretician (much more rare at that time, and in less demand).

Michael Dixon can be forgiven for portraying Weber as the villain: Einstein himself suspected that Weber had spread bad opinions of him. He grumbled that he would have found a job "had it not been for Weber's underhandedness".

Roger Highfield,
science editor,
The Daily Telegraph,
1 Canada Square,
Canary Wharf, London E14

Means to check travel companies' security exist

From Baroness Denton of Wakefield.

Sir, I was astonished to read the statement by Michael Skapinker ("Travel: Hanging on to your holiday", July 3) that the EC Package Travel Directive has proved useless. On the contrary, the Package Travel Regulations 1992 (which implement the directive in UK law), require for the first time that all organisers of packages should have security for customer pre-payments in the event of insolvency. As a result, more holidaymakers are covered by such security than ever before. This is a big step forward in consumer protection.

I do not understand why Michael Skapinker should say trading standards officers have neither the time nor the experience to enforce the regulations. Trading standards officers are highly trained experts who enforce a very wide variety of consumer protection legislation, and I have been impressed by the speed and thoroughness with which they have got to grips with the requirements of the package travel regulations.

Nor would I agree that no one knows the legal definition of a package holiday. Part of the definition of a package is that it must be prearranged. This is sensible: a holiday whose elements are specified in detail by the customer himself is not a package as we would normally understand it. As with all legal definitions, there will be cases where there is room for debate on which side of the line a particular holiday falls, but such cases should be rare.

It is a requirement of the package travel regulations that organisers should indicate both in any brochure they issue and in their contracts with the individual holidaymaker how they have chosen to meet the provisions of the regulations regarding security in the event of insolvency. The customer is thus readily able to check that their travel company is complying with the regulations. Our aim in implementing the directive was to ensure that costs were kept to a minimum and choice of holiday to a maximum.

It would be more helpful if, instead of writing the extended protection off, your correspondent advised holidaymakers to ensure that they checked that they were dealing with a company offering security. We have given them the means to do so.

Baroness Denton,
parliamentary under-secretary of state for consumer affairs and small firms,
DTI,
Ashdown House,
123 Victoria STreet,
London SW1E 6RB

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Friday July 9 1993

Strong words, weak action

IN TOKYO, the world's leaders huff and puff. They reaffirm their commitment to "the territorial integrity of Bosnia-Herzegovina" – an integrity which, if it ever existed, has long since been trampled underfoot. They "cannot agree" to a solution dictated by Serbs and Croats – neither of whom shows any sign of caring whether they agree or not.

The G7 countries commit themselves to implement the Security Council resolution on safe areas for the Moslems, "by sending troops, by air protection of the Unprofor, by financial and logistical contributions or by appropriate diplomatic action". The operative word here is "or". No one should suppose that either Chancellor Kohl or President Clinton has committed himself to send troops, or that Mr Miyazawa has undertaken to send Japanese aircraft. The other leaders do perhaps intend to send more troops, but are not saying how many.

Meanwhile, in Belgrade, President Slobodan Milosevic has cast aside the mask of moderation, openly expressing his contempt for world opinion; and in Sarajevo the World Health Organisation warns that the remaining hospital services are on the brink of collapse.

The disparity between the rhetoric of world leadership and the reality of local barbarism is glaring. In 1991 the western powers showed they were able to reverse a clear case of aggression by one state against another. In the former Yugoslavia they have shown equally clearly that they are unable, or if able are unwilling, to deal with aggression and atrocity when perpetrators and victims are not separated by a clear international border.

The partition of Bosnia into three zones – in itself a serious defeat for the principles on which the post cold war European order was supposed to be based – has now become the nearest approximation to a fair outcome that one can imagine. But even that rough justice will not be attained unless external powers are prepared to commit significantly larger forces than they have done so far, using them to help the Moslems secure a viable zone roughly commensurate with their numbers – and, presumably, to "cleanse" it of those Serb and Croat residents who are unwilling to live under Moslem rule.

That unpleasant obligation, which wiser and bolder policies at an earlier stage might have avoided, must not now be shirked. But the "international community" (as it likes to call itself) need not and should not think only in terms of military options. Since the Croats are now officially recognised as partners in crime with the Serbs, they too must be subjected to sanctions. The moral effect in their case might well be greater, since President Tudjman has made much of his country's "European" vocation, its supposedly superior civilisation, and its recognition by the world at large. Alas, the truth is that he has tolerated significantly less freedom of expression internally than has Mr Milosevic.

Much more could be done to help free and objective media in all the ex-Yugoslav republics, such as the newspaper Feral Tribune recently started by a group of Croat journalists, and now hanging by a shoestring, or the courageous B92 radio station in Serbia. A ship that was broadcasting objective news to all the ex-Yugoslav republics from offshore in the Adriatic has had to suspend operations because the country whose flag it was flying withdrew permission and because of a Serbian complaint to the International Broadcasting Union. The nations that are supposedly enforcing sanctions in the Adriatic could surely offer it the protection of their flags and the hospitality of their airwaves.

Welsh practices

THE MISDEMEANOURS at the Welsh Development Agency revealed by a Commons committee yesterday provide a curious illustration of how not to import the culture of the private sector into public service. In terms of its commercial objectives, the WDA has been remarkably successful. With a mere 5 per cent of the UK population, Wales has in recent years grabbed 20 per cent of the UK's inward investment. Last year, against the general trend, foreign investment in Wales was higher than the year before. This was at least partly due to energetic selling and marketing along private sector lines; and in the context of a public company, some at least of the goings-on indulged in by WDA officials would scarcely raise an eyebrow.

But the taxpayer demands, and is plainly entitled to, different standards. Public officials are not supposed to travel by Concorde, award themselves free petrol or conduct interviews with model girls in hotel rooms. The danger now is that the pendulum will swing the other way. The last Welsh secretary, Mr David Hunt, attributed much of Wales's success in attracting investment to close co-operation between the WDA and the Welsh Office, and indeed to active joint selling by himself and the WDA's now retired chairman. It would be scarcely surprising if the entrepreneurial instincts of the new secretary, Mr John Redwood, were tempered by yesterday's revelations. In the context of a marketing effort which last year attracted investment of £950m and is claimed to have created over 13,000 jobs, that would be rather a pity.

Selling insurance

AFTER SEVEN or eight years of argument, another decision point is approaching in the controversy over the disclosure of life assurance commissions. The Treasury, now the responsible government department, is preparing its reply to the Office of Fair Trading's latest proposals to rock the life industry's boat.

In preparation, the Securities and Investments Board is setting up a special taskforce which will seek to draw up a disclosure regime to square all the circles.

The OFT's recommendations in March included the compulsory "hard" disclosure in cash, at an early stage in the selling process, of the commissions earned by independent financial advisers.

Recently the Securities and Investments Board joined with the two junior retail investment regulatory bodies, Fimbra and Lautro (which may soon be combined within the new Personal Investment Authority), to produce a joint submission to the Treasury. Although this has not been published, it is known that it argues against hard disclosure, at least in so far as a harsher regime might be applied to IFAs alone.

Yesterday the SIB chairman, Mr Andrew Large, said that he hoped the life industry would at last be able to escape from what he called a regulatory Bermuda Triangle, with the disclosure issue bouncing around repeatedly between the SIB, the OFT and the Treasury. With a call for "one last push", he is setting up a taskforce of regulators to devise a permanent solution.

The danger is that this will prove to be yet another vain search for an unattainable consensus. Mr Large appears to be relying, first, on a perception of fatigue within the life industry which might make companies and intermediaries less resistant to hard disclosure and, second, on a greater emphasis on the need for a level playing-field for both IFAs and salesmen.

The OFT took a purist view, arguing that IFAs hold themselves out to be giving independent advice, and therefore they must be ready to disclose the cost of that advice to their client. Salesmen acting for only one company are not required to disclose in the same way, however.

If the Treasury comes to the decision that the OFT is right on this issue, SIB apparently will attempt to devise a solution which will be harsher for salesmen too, but will retain the competitive balance between the two distribution channels. It remains to be seen what the direct-selling life offices will think of this approach, although it is possible to guess.

Regardless of such details, the Treasury should come to its decision on the broadest view, that transparency at all levels is needed if the market is to be balanced in favour of the client. The life industry has for too many years exploited poor disclosure standards in order to promote extravagantly expensive distribution channels and dominate the retail investment industry. The particular issue of commission disclosure by IFAs should not be allowed to delay progress towards better disclosure whatever the type of sales intermediary.

The root of the problem of IFAs lies in the rigid polarisation rules. If the Treasury backs the OFT, the right response would be to devise a system of multi-company ties for those IFAs fearful of the effect of hard disclosure on this business. But the life industry has yet to demonstrate that it has the necessary flexibility to respond to the public interest. Mr Large may discover that one last push will not be enough.

Underweight and over here

UK bonds and equities are attractive foreign targets for US institutional investors, writes John Plender

US investment institutions have been notoriously shy of investing in overseas securities. But with Wall Street putting a value on US corporate earnings and assets higher than that prevailing before the 1929 crash, there are signs that the rest of the world risks catching the fever as US fund managers see attractions in cheaper overseas markets. Indeed, there is a hint of a parallel with the Japanese speculative bubble in the late 1980s.

While the monetary symptoms are different, an important shift in asset allocation is under way and the impact is no less significant for third parties – not least the UK, which has almost certainly been the biggest recent beneficiary of the outward flow of funds. Meanwhile, a wider process of international diversification gathers pace, raising questions about how far differences in earnings multiples and dividend yields between individual country markets might be ironed out.

First, the data. In 1992, US investors' net purchases of foreign bonds and equities increased by 9.3 per cent to $51bn. On the crude statistics from the US Treasury, nearly all of the $19bn earmarked for foreign bonds in 1992 went into the UK, while the UK displaced Japan last year as the biggest repository for US equity investors' money, accounting for $11.3bn of a $32bn total outflow. That $11.3bn compares with net purchases of equities by UK life funds and pension funds in 1992 of $4.4bn out of a total cash flow of $35.7bn.

In practice, the UK share is probably overstated, in that it almost certainly includes some funds that ultimately find their way into continental Europe. But $4.9bn is said to have been invested in the UK equity market in the final quarter of last year alone, after the September devaluation added to the attraction of sterling and equities. This compares with $4.4bn that found its way to Japan in the whole of 1992; so the broad thesis that the London market has been grabbing the lion's share looks plausible.

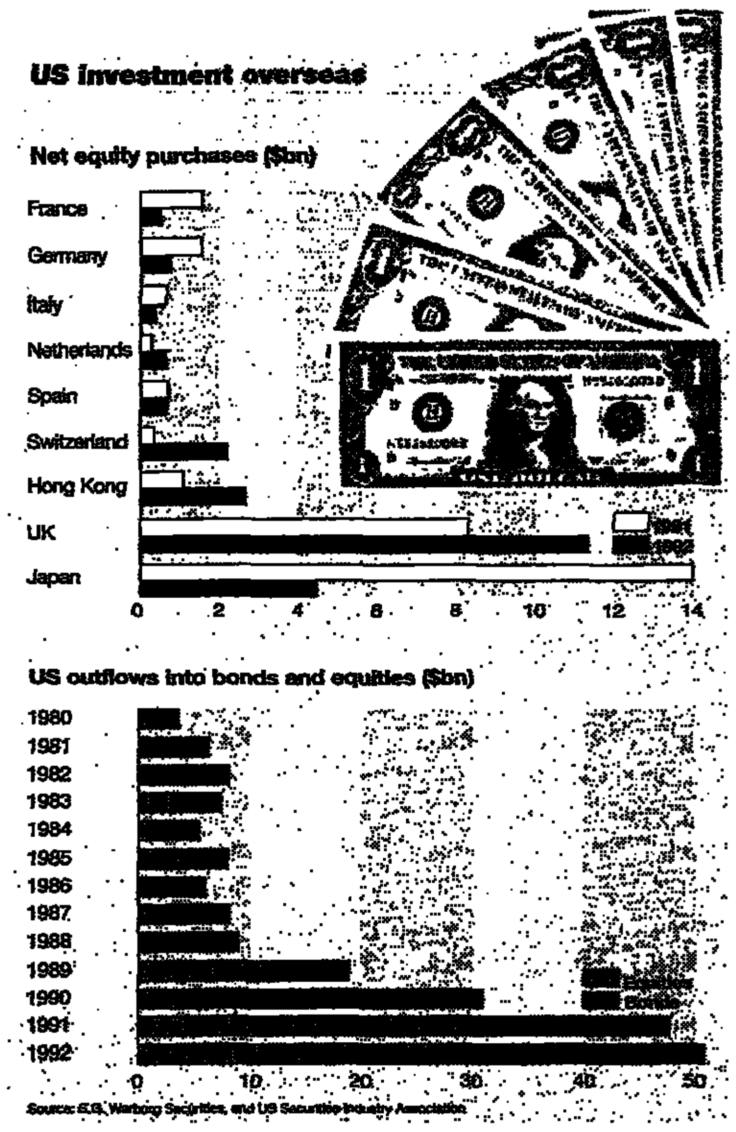
At the same time the flow of portfolio investment from the US into foreign markets in the first quarter of 1993 has accelerated sharply. According to UBS Global Research, a record $26.6bn went into foreign bonds and equities, compared with $17.4bn in the previous quarter. But, within those totals, the UK's share of the equity outflow fell from $4.9bn to $1.4bn. That turnround clearly helps explain the sideways movement of UK equities this year.

The balance of international portfolio diversification is inevitably unequal because the US and Japan, which respectively accounted for 38.7 per cent and 30.8 per cent of the FT-Actuaries World Index at June 30, are elephants in the rowing-boat: while inflows from the rest of the world cannot impact greatly on these two countries' domestic markets, changes in asset allocation that are small for the US and Japan can cause huge upheavals in the large number of countries that make up the remaining 30.5 per cent. Put another way, last year's $51bn US outflow was equivalent to less than three months' cash flow of the mutual fund industry alone.

US insurers and pension funds hold only 4-5 per cent of their assets in foreign securities. But there is a growing awareness of the theoretical benefits of diversification, which increases returns for a given degree of risk; and, as Andrew Garthwaite of S G Warburg Securities points out, most risk analysis models in the US suggest the figure should be nearer 15 per cent.

The incentive to raise the portfolio percentage overseas has been reinforced by the beneficial impact of prolonged dollar weakness on the performance of institutions with above-average foreign holdings. The fact that US equities sell on higher multiples of earnings and assets than before the 1929 Wall Street crash, and that private investors continue to pour money into mutual funds, makes higher-yielding markets in Britain and France look all the more tempting.

Increasing integration in world capital markets should be economically beneficial in that it encourages capital to flow more efficiently into investment that promises a high return. Yet in practice the flows are oddly distributed. The UK market, for example, offers less in the way of diversification benefits than any other European market because of the UK corporate sector's disproportionately large direct investment in the United States. Yet it hogs a disproportionate share of international money. The emerging markets in developing countries offer the biggest diversification benefits, because of their low correlation with international market movements: they do not move in step with the fund manager's domestic market. Yet the World Bank calculates that they account for less than a quarter of a per cent of worldwide institutional assets.



Source: S.G. Warburg Securities, and US Securities Industry Association

This highlights the fact that institutional money tends to go to the most liquid markets, rather than to those that offer the highest degree of diversification. And it raises a question about how far integration can go. In theory the scope is immense. The World Bank estimates, for example, that global institutional investment funds are worth $14,000bn. If the fund managers were to make a modest genuflection to modern portfolio theory and put just 10 per cent into foreign securities, the impact on markets would be considerable.

Yet even in the US the constraints on foreign investment are not to be under-estimated. While private sector pension funds enjoy considerable freedom, state pension funds, whose cash flow is still growing strongly, often have restrictions on overseas investment. For US insurers, state rules are often prohibitive. Even where they are being relaxed, as in New York State where the ceiling on foreign investments was lifted from 3 per cent to 6 per cent in 1990, insurers are still prevented from obeying the full logic of risk analysis.

In Japan, fund managers formally enjoy sufficient discretion to diversify their portfolios significantly. But in practice official guidance still plays an important part in determining the flow of funds. In continental Europe, there are heavy restraints on cross-border investments, as well as explicit requirements in some countries to invest a given portfolio percentage in government bonds. This means that capital market integration is more of a one-way street; and now the process has in effect been frozen, after a decision to put a liberalising EC pensions directive on the Brussels back burner last month.

As for the developing countries, their capital markets suffer from lack of liquidity, poor information and regulatory restraints on foreign capital. Yet many are beginning to recognise that portfolio inflows reduce the cost of capital for domestic companies. One spectacular result of this change in attitude can be seen in Latin America, where gross equity portfolio inflows have gone from $434m in 1989 to $5.6bn in 1992. International bond issues have performed in similarly dramatic fashion. Repatriated flight capital has played a part, as have high-risk, high-return funds. But foreign insurers and pension funds have so far been insignificant contributors.

At first sight, a reduction in the cost of capital in the recipient country looks an attractive gain from capital market liberalisation. So, too, does the idea that these flows represent more stable long-term finance for budget deficits and the balance of payments. On this ground alone, the UK might be thankful that US institutions are a little less underweight, internationally, and over here. Yet there is scant evidence that US institutions are building up core holdings in European markets, establishing big foreign companies as permanent features in the portfolio. And there is plenty of anecdotal evidence that cross-border institutional investment is just hot money in another guise – witness the role of pension funds in the currency turmoil in Europe last September.

Certainly British institutions take a shorter-term view of foreign markets and generate a far higher level of turnover and activity in overseas securities than at home. All of which points to a greater degree of volatility as world markets integrate further.

EC merger control – no soft touch

PERSONAL VIEW

A few months away from its third birthday, the first stage of the European Community's system of merger control has come to an end. So too, perhaps, has its honeymoon period as recent comment in this paper and others has shown.

This response is nevertheless useful and welcome at a time when the Commission and in particular its competition minister, Karel Van Miert, is preparing a review of some specific issues, such as whether the turnover thresholds determining jurisdiction are set at the right level to capture most mergers with a cross-border, Community interest.

To put some of the recent criticism into perspective, there are some obvious points which need to be made. For example, the Commission's practice on mergers cases is unique among competition agencies in that *all* cases falling under the merger regulation are the subject of a reasoned decision which is published. This unique level of openness in decision-making does, however, lead to an equally unique degree of exposure to comment.

The most important concerns relate to the level of transparency in decision-making and its susceptibility to lobbying; a perceived need for a separation of the powers of investigation and decision; a failure to adopt a more quantitative approach to economic analysis; and the alleged narrowness of the market definitions adopted.

Taking the last of these first, it is true that the Commission had indeed been rigorous and conservative in defining the markets affected by a merger, particularly where national and regional differences may still be crucial. But in its subsequent assessment of the market power of the undertakings concerned, it has incorporated wider considerations of potential competition, imperfect substitution of products or the supply characteristics of a market. The Commission is also not closed to a use of econometric methods and quantitative tests, especially in market definition. Nonetheless, they can never be a determinant since some aspects of a competitive situation will always resist quantification.

Calls for greater transparency have focused on the idea of separating the responsibility for investigation of mergers from the power of negotiation and decision. This proposal, most frequently expressed as a call for an independent European cartel office, has to be assessed carefully on its merits. The fact that

Unique openness in decision-making leads to an equally unique degree of exposure to comment

such an office could adopt conclusions based on an independent competition investigation does not settle the question as to the criteria upon which merger would ultimately be authorised or prohibited, nor the thorny issue of which body would have the task of doing so (the Commission, the Council?). A European cartel office would also, like the Commission, have to be made up of representatives of all member states. Until there is greater convergence on the scope, objectives and methodology of competition policy, the work of any competition agency at European level will inevitably lead to some controversy. Such issues would have to be looked at before any changes were proposed to EC treaties and institutions.

Meanwhile, the existing merger regulation must be regarded as something of an achievement in that it has identified grounds – strictly competition issues – on which the Commission is empowered to act with respect to mergers of a Community dimension. A lot can also be done to reduce the general concern about the objectivity of investigations and decisions if there is greater transparency in procedures and working methods.

Moves to increase transparency would need to be balanced against the risk that they could impose a fresh procedural burden, particularly on unproblematic cases. The Commission is examining possible improvements to see whether they require amendments to the Council regulation or can be made with a more flexible interpretation of the existing provisions.

The Commission has received plaudits from the business community for the speed, flexibility and business-minded approach of its Merger Task Force (MTF). But it would be wrong to see this as a sign that the Commission is a "soft touch" for companies.

The MTF listens to what they say and tries to avoid unnecessary delay. But it nevertheless is firm in its dealings with the parties and carries out consultations of competitors, customers and other third parties. It has imposed conditions on companies in 15 cases to date and blocked one transaction outright. Groups such as Nestlé, De Havilland, Fiat and Alcatel which have been involved in these cases would not describe the Commission as easily dissuaded from its task.

Claus-Dieter Ehlermann

The author is director-general for competition, European Commission

OBSERVER

Cutting no ice

The punctilious Swiss look to have dealt a blow to the grand old advertising dodge of the Unique Selling Point.

The whole point about a USP, of course, is that the advertised feature itself is *not* unique – indeed it may well be shared by every competing product on the market. All that's unique is that your company is the first to highlight the standard feature and shout about it.

But better beware pinning your hopes on the dodge in Switzerland, as Grand Metropolitan's trendy American ice cream vendor, Haagen-Dazs, has found in trying to follow McDonald's into the fastidious indigenous food market.

It took the hamburger chain a two-year struggle with the local authorities to break into the posh resort of Zermatt. And the Swiss are now giving no less icy a reception to Haagen-Dazs, with particular emphasis on its tactic of marketing its products on the claim that they contain no preservatives.

While that might do everywhere else, Swiss health officials say, it doesn't do in the country of perfection. There everyone who makes ice cream is obliged to keep it free of preservatives and the interloper may not make mention of doing likewise in either advertising or packaging.

Undaunted, the company has promised to remove the offending claim from its packaging. As for advertising, it claims to have no plans to recycle the erotic campaigns which went down so well in Britain. Sensible decision. If it had done so, it would undoubtedly have run foul of some Swiss official or other.

Labouring

■ At a time when The New Statesman is once again hogging the limelight with its publicity-seeking gimmicks, it is good to see a fresh crew climb aboard Tribune, the other left-of-centre weekly.

Labour MP Peter Hain, despite his once rebellious past, is the least exciting of the new faces. He is a longstanding Tribune member and takes over as board chairman.

However, new editor Mark Seddon, who is a Westminster lobbyist, and Bill Hagerty, the former editor of The People, the down-market Sunday paper, could make an interesting combination. Hagerty, who lost his job last November, says his new post of consultant editor is ideal. He wanted a day-time interest to combine with his night-time activity as theatre critic for Today newspaper.

And in case the new team run short of ideas, they can always turn to Michael Foot, the former leader of the opposition and former Tribune editor, who shares an office with Tribune. When not working on his biography of H G Wells, he still fires off the occasional Tribune leader on Bosnia. Shouldn't be too difficult to give the "staggers" a run for its money.

'Malcolm's come up with a proposal to build a forest through central London'

Entertainers

■ While John Birt's shake-up at the BBC has terminated a few careers, it looks to be good news for Kevin Lygo, son of former British Aerospace chairman Admiral Sir Raymond Lygo.

Young Lygo, an executive producer with the Beeb, already has the job of winning higher ratings by developing popular new shows, and the word is that he may well be tapped to take over as head of light entertainment following this week's departure of Jim Moir. The latter has been promoted to deputy director of corporate affairs for the corporation, which more cynical BBC watchers regard as genuine light entertainment.

Given the BBC's recent dismal performance in the ratings game, a lot will be required of the new head of light entertainment. Kevin won plaudits for his recent Comic Relief programme…and being a good mate of BBC1 controller Alan Yentob always helps.

Jilting Jones

■ Gwyn Jones, the flamboyant 44-year-old businessman who ceased to chair the Welsh Development Agency only a week before yesterday's blistering attack on the agency's management style by the Commons public accounts committee, no doubt hopes that all is behind him as he returns full-time to his other interests.

In one important respect, however, Jones, who is a non-executive director of Tesco, is not yet shot of his public sector responsibilities, having been installed as the BBC's national governor for Wales at the beginning of last year.

The MPs tartly note that some of his public and private appointments "may well have resulted from his chairmanship of the WDA". Hence the odd awkward question as to whether someone whose management team "presided over a catalogue of serious and inexcusable breaches of expected standards of control and accountability" is best qualified to do the job.

Speaks for itself

■ The image of English as the language of civilised countries took a further knock yesterday with the Japanese government's issue of a short phrase-book for citizens visiting the west.

The 40 or so key phrases, whose meanings tourists are urged to memorise well enough to respond to instantly, are all of the same type. They include "Hands up", "Freeze" and "Get down on your knees".

Relief of Paris

■ Was this the face that launched a thousand ships? Observer sighed as Reuter screens flashed up: "Helen of Troy cut to neutral from attractive".

Not so, in fact – although it might have burnt a few towering topknots in Illinois. The downgraded Helen in question is a US manufacturer of hair-dryers.

FINANCIAL TIMES
Friday July 9 1993

Commission abandons plan to vet more mergers

Brussels scales down ambitions on takeovers

By Andrew Hill in Brussels

THE European Commission has been forced to scale down ambitions to vet more cross-border takeovers in the face of strong opposition from Britain, Germany and France.

Competition officials have abandoned their original hopes of lowering the existing turnover thresholds above which takeovers are automatically examined in Brussels.

Instead, the Commission may propose a further review of merger regulations, perhaps in another two years.

At present, Brussels examines mergers involving companies with a combined annual turnover worldwide of Ecu5bn ($5.75bn) and combined EC turnover of more than Ecu250m.

Sir Leon Brittan, Mr Karel Van Miert's predecessor as EC competition commissioner, the European Parliament and EC companies have all called for a cut in the thresholds.

Such a reduction would have allowed the Commission to examine potentially significant cases such as the Reed-Elsevier publishing merger last year, or the ICI-BASF swap of polypropylene and acrylic glass activities, both of which fell below the existing thresholds.

EC and Ireland closer to ending funding row......Page 2
EC merger control - no soft touch: by the Commission's director-general for competition..................Page 19

In an article published in the Financial Times today, Mr Claus-Dieter Ehlermann, who heads the Commission's competition department, defends the performance of the merger control task force. He says the Commission should try to make the best possible use of the existing merger rules.

Mr Van Miert has yet formally to decide whether to recommend changes to the EC's 1990 merger control rules. But he is known to doubt the value of pushing for increased Commission powers when most member states are calling for greater "subsidiarity" in the EC – devolving powers to the most appropriate national or regional authority.

The Commission has been conducting a wide-ranging review of the 1990 merger rules, as required by the legislation. It will hold its last meeting with national merger authorities next week and Mr Van Miert is likely to make recommendations to his fellow commissioners before the August summer break.

Other cases are referred back to member states, which also have the right to demand jurisdiction over mergers of particular national significance.

But France, Germany and the UK – all countries with well-established merger authorities – have resisted any extension of Brussels' jurisdiction.

In his article, Mr Ehlermann does not argue for or against a change in the thresholds, but he does indicate that improvements could be made to the merger regulations without having to amend the law, a move which would require member states' approval. In particular, he urges greater transparency in procedures and working methods.

The merger taskforce has been generally praised for its efficiency since its establishment in September 1990. It has only blocked one merger – the Franco-Italian takeover of de Havilland, the Canadian aircraft maker in 1991.

Microchip makers hit by explosion at Japan factory

By Louise Kehoe in San Francisco

MANUFACTURERS of semiconductors are scrambling to find alternative sources of supply for materials used in packaging microchips, after an explosion at a Sumitomo Chemical factory which is the world's largest source of high-grade epoxy resins.

The explosion, which occurred on Sunday at the factory in Niihama, about 680km south-west of Tokyo, severely damaged the epoxy plant.

According to Sumitomo, the plant produces 60 per cent of the world's supply of high-grade epoxy resins. The resins are essential to the production of plastic packages for computer chips.

It is likely to be three to six months before the factory is back in production, according to Dan Rose, of Rose Associates, a semiconductor consulting group specialising in materials supplies.

Semiconductor manufacturers in the US said they did not expect any immediate impact, but were concerned about the longer term implications for supplies.

"We have inventories that will carry us through the current quarter," said Texas Instruments, one of the largest US chipmakers. "We are currently reviewing the potential impact in the fourth quarter and may seek alternative suppliers."

At Advanced Micro Devices, in Silicon Valley, a spokesman said the company was trying to obtain more information. "We have been advised that there are alternative suppliers who have excess production capacity that could be used to alleviate any shortage," the company said.

Smaller semiconductor producers, who have less influence with suppliers, were more likely to be affected by any shortages, a semiconductor industry official said.

In Japan, semiconductor manufacturers expressed concern, but said they expected to be able to maintain production using packaging material from other sources.

Prices of epoxy resin and plastic semiconductor packages are expected to rise in the wake of the Sumitomo explosion, industry analysts said.

Although there are alternative suppliers, semiconductor manufacturers will face problems selling chips made from different material to their customers.

Sumitomo's competitors in the epoxy resin market are Dai Nippon, Nippon Kayaku and Asahi-Ciba in Japan, as well as Hoechst Celanese, Ciba-Geigy, Dow Chemical and Shell Chemical.

Sumitomo said: "Our inventory should last several months, but we're afraid there may be a lack of supply depending on how fast the plant repair goes."

The cause of the explosion at the factory is under investigation in Japan.

Bonn cuts 'killing hopes of upturn'

Continued from Page 1

the market economy and the problem-solving abilities of open, democratic societies."

Publication of the DIW report coincided with corrections to recent monetary indicators which showed money supply growth and inflation exceeding earlier estimates. Annualised growth in the M3 measure of money supply in May was 6.9 per cent, not 6.7 per cent, the Bundesbank said.

The figure for western German inflation in June was also revised up from 4.1 per cent to 4.2 per cent, unchanged from May.

Both indicators play a central role in the Bundesbank's interest rates policy, and recent "improvements" were cited by Mr Helmut Schlesinger, Bundesbank president, when he announced the bank's last round of rate cuts on July 1.

Recession worries in France put pressure on franc

By James Blitz in London and John Ridding in Paris

THE FRENCH FRANC came under heavy selling pressure inside the European exchange rate mechanism yesterday amid growing concern about the depth of the French recession and renewed investor confidence in the D-Mark.

The franc fell sharply against the German currency, dropping by nearly 2 centimes at one stage, after the country's official statistics agency issued a gloomy forecast for French economic growth this year.

The Bank of France did not intervene in the foreign exchange markets to support the currency. But dealers said that France's membership of the ERM was undermining its ability to bring interest rates down to levels that would stimulate an economic recovery.

Some analysts said that, as a result of this, the currency was on the verge of more turbulence in the ERM.

The trigger for yesterday's selling of the French currency was a report from Insee, the official statistics agency, which forecast that gross domestic product would fall by 0.7 per cent this year and that the unemployment rate would rise from 11.5 per cent to 12.5 per cent by December. These were gloomier than government predictions made earlier this month which forecast a contraction of 0.4 per cent in GDP in 1993.

At the same time, French political leaders appeared to be voicing quiet concern that the country cannot cut interest rates to stimulate a recovery because of France's membership of the ERM and the necessity to shadow German monetary policy.

Market analysts also said that the franc had been unsettled by comments by Mr Alain Juppé, the French foreign minister. Mr Juppé, attending the summit of the G7 industrialised nations, said yesterday that France and Germany "can go further in lowering interest rates".

France has been able to push its money market rates more than ½ percentage point below German levels in recent months. But the Bank of France's decision to cut interest rates last week, immediately after the Bundesbank eased monetary policy, was deemed too hasty by some investors.

French short-term interest rates were less than ¼ percentage point below their German counterparts yesterday.

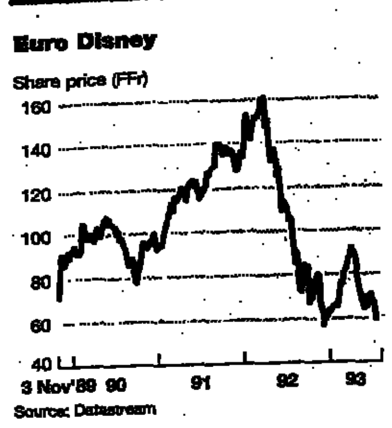
Mr Alain Galibert economist at S.G. Warburg in Paris said that he "expects a bumpy road for the franc over the next three to four months" and that "the weakness of the franc will make further interest rate cuts in France much more difficult."

See Currencies, Section II

THE LEX COLUMN

On the big dipper

FT-SE Index: 2845.9 (-2.4)



Source: Datastream

The summer should be a happy time for Euro Disney. But the dismal start to what should be its peak season raises questions over whether the project was fundamentally misconceived. The issue cannot be ignored even though its US parent has agreed to tide the project over until next spring. That should give time to work out the best way to take the scheme forward and restructure its finances. Whatever solution is devised, though, is unlikely to hold much appeal for Euro Disney's 200,000 ordinary shareholders.

For Walt Disney, the longer term question will be whether to resurrect plans to build the second stage of the project at a cost of some FFr8bn. Without a second park, Euro Disney could never defray the substantial development costs of the first phase. The difficulties of financing the scheme through further equity issues may eventually prompt Walt Disney to try to buy out the 51 per cent of the shares it does not already own. But its own shareholders might then complain their company was simply throwing good money after bad. There is no guarantee that a larger park will fill Euro Disney's under-occupied hotels.

Euro Disney may draw some comfort from its visitor numbers, which have shown reasonable progress in hostile conditions. Particular difficulties undoubtedly apply. The French economy is slipping fast. Property sales have been stymied. Local visitors are not as inclined to splash out on hamburgers and hotel rooms as foreign tourists. They, though, have been deterred by the strong franc. Euro Disney's travails also stimulate broader worries. They are hardly the best advertisement for the joys of owning shares just as the French government tries to offload rather a lot of them.

British Aerospace

British Aerospace's refinancing of its banking arrangements is a predictable surprise. The net worth ceiling of the old facilities was a well-known constraint on the management's capacity to shuffle its assets. BAe has enough headroom to provide against its aircraft leases in this year's figures, but insufficient to provide for putting its Jetstream aircraft business into a joint venture. That constraint will be gone once the changeover is complete in six or nine months.

The new arrangement usefully lengthens the life of BAe's banking lines, and allows managers to focus on issues such as cash flow as well as net worth. The ratchet up of the interest cover and gearing covenants also illustrates the banks' faith in a profits recovery over the next few years, while the facility is even large enough for BAe to be able to lose a few syndicate members along the way without causing it any problems.

Still, when a company buys itself elbow room, one wonders what it will do with it. Jetstream is almost certainly heading into a joint venture, but Rover will probably stay. Given the effort BAe has put into the company, and the poor state of the car industry, it will want to run Rover for profits. Property looks fairly valued, so further write-downs are unlikely. If the Matra missile deal is eventually struck, there may be some rationalisation costs, but that is not yet in the bag. Indeed, the sub-plot of the abortive GEC talks may have been pressure from Lord Weinstock for a BAe/GEC missile deal instead of a BAe/Matra joint venture. However, more wholesale surgery on the BAe balance sheet seems improbable. While the formal constraint has gone, the company hardly has net worth to burn.

Currencies

It has not taken long to shatter France's ambitions of breaking free of German interest rates. Ever since Germany called off bilateral discussion of monetary policy two weeks ago, that hope was looking hollow. This week's economic data has reinforced the perception that the French recession is getting worse while that of Germany has bottomed out. So it is not surprising that the franc is suddenly weak again. Against a backdrop of rising unemployment, France cannot possibly raise interest rates to defend its currency. It must hope that German cuts will be sufficient and rapid enough to prevent the franc sinking to its floor.

Judging by its previous behaviour, the Bundesbank will now seek to deliver just enough relief. The rally in both the German equity and bond markets suggest expectation of some acceleration in the pace of cuts. The strength of the D-mark may make this easier: it has regained something of its safe haven status, fuelled admittedly by premature expectations that the German constitutional court will rule against the Maastricht treaty. But the Bundesbank may also find it hard to ignore yesterday's upward revision in both the latest money supply and inflation figures.

It may be tempted to make a basically cosmetic gesture before its summer recess, such as a cut in the now scarcely relevant Lombard rate or a slightly stronger downward push to money market rates. By fuelling expectations of further cuts, similar moves have calmed exchange markets before. But France needs a large fall in interest rates – probably to 5 per cent or lower – to secure the recovery that its businessmen and voters want. As long as that is not in sight, its long-term ability to stay the ERM course remains in question.

Owners Abroad

The City's collective memory yesterday strained to recall an occasion when a company had suffered such a rapid reversal of fortune as Owners Abroad so soon after fighting off a hostile bid. Just four months after rejecting Airtours' offer of 150p, Owners has warned that this year's profits may be half the market's expectations. The one-third fall in Owners' share price to 66p expressed the scale of disappointment.

During the bid, Owners did not issue a formal profits forecast but made much of its claim that trading was at record levels. Even considering the industry's notorious volatility, the suddenness of the transformation is astonishing.

The Takeover Panel should force Owners, and its financial adviser, Samuel Montagu, to justify the statements made during the bid period. The resignation of Owners' chief executive is scant consolation for Airtours which wasted £9m on its bid.

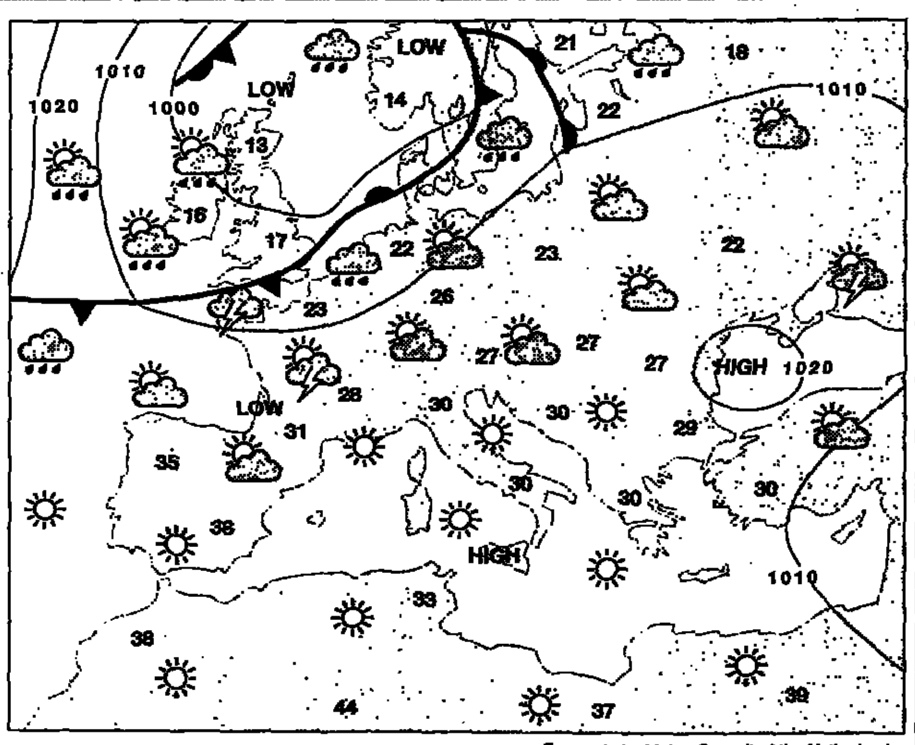
FT WORLD WEATHER

Europe today

An active frontal system will bring cool air and rain to most of the British Isles. Denmark and southern Scandinavia, will be rainy and cool. In western France and the Benelux, it will be dry with rather high temperatures. Later in the day, showers will develop in these regions. In southern France, clusters of thunder storms will develop later on, but most of today will be dry with just a few showers in the south and in the Alps. Tonight thunder showers will move into the Alps and southern Germany and will become active again tomorrow afternoon. Around the Mediterranean, it will be mainly sunny with the highest temperatures over inland Spain perhaps reaching 35C-40C.

Five-day forecast

Cool air will move east bringing lower temperatures and unsettled conditions for the weekend over most of western Europe. The exception will be Spain and Portugal where it will continue mainly dry and warm. Thunder showers will develop in an area from northern Italy to Poland. After the weekend, this pattern will continue with warm air being pushed further back into eastern Europe.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius							
Abu Dhabi	sun	39	Berlin	fair	26	Chicago	thund	32
Accra	thund	27	Bermuda	fair	28	Cologne	fair	24
Algiers	sun	35	Birmingham	rain	17	Copenhagen	rain	20
Amsterdam	shower	20	Bogota	fair	18	D' Salaam	fair	29
Athens	sun	31	Bombay	shower	33	Dakar	fair	31
Bangkok	cloudy	34	Bordeaux	fair	30	Dallas	windy	36
Barcelona	sun	29	Brussels	fair	23	Darwin	thund	31
Beijing	rain	29	Budapest	fair	26	Delhi	shower	38
Belfast	shower	16	Buenos Aires	fair	14	Dubai	sun	38
Belgrade	sun	27	Cairo	fair	37	Dublin	shower	17
			Cape Town	shower	20	Dubrovnik	sun	30
			Caracas	thund	28	Edinburgh	shower	17

Faro	fair	27	Majorca	sun	33	Rangoon	fair	30
Frankfurt	sun	27	Malta	sun	30	Reykjavik	rain	14
Geneva	fair	27	Manchester	shower	16	Riyadh	sun	42
Glasgow	rain	15	Manila	rain	31	Rome	fair	29
Hamburg	fair	23	Melbourne	shower	9	S' Francisco	fair	22
Helsinki	fair	21	Mexico City	shower	20	Seoul	cloudy	28
Hong Kong	cloudy	33	Miami	sun	32	Singapore	shower	30
Honolulu	fair	31	Milan	fair	28	Stockholm	cloudy	22
Isle of Man	shower	16	Montreal	shower	28	Strasbourg	fair	28
Istanbul	windy	26	Moscow	fair	19	Sydney	cloudy	15
Jersey	cloudy	20	Munich	fair	26	Tel Aviv	sun	34
Karachi	fair	35	Nairobi	fair	21	Tokyo	fair	29
Kuwait	sun	48	Naples	sun	30	Toronto	shower	31
La Paz	fair	17	Nassau	fair	32	Tunis	sun	33
Las Palmas	fair	26	New York	hazy	35	Vancouver	fair	21
Lisbon	fair	26	Nice	sun	27	Venice	fair	25
London	rain	19	Nicosia	fair	36	Vienna	shower	26
Los Angeles	sun	27	Oslo	rain	18	Warsaw	fair	23
Luxembourg	fair	24	Paris	sun	26	Washington	sun	37
Lyon	fair	29	Perth	fair	19	Wellington	shower	13
Madeira	fair	25	Prague	sun	25	Winnipeg	fair	21
Madrid	sun	36	R' de Janeiro	fair	24	Zurich	sun	26

FINANCIAL TIMES
COMPANIES & MARKETS

Friday July 9 1993

INSIDE

AEG strengthens Electrolux link
AEG's domestic appliances division is to extend its co-operation with Electrolux, the Swedish multinational with which it recently swapped minority share stakes. Page 22

Nokia rides high
With Nokia riding high on rising demand for its telephone systems and mobile phones, and a near FM1bn ($185.2m) international share issue comfortably in the bag, the chief executive and his team know Finland's highest profile company is in better shape than for some time. Page 22

Brewer walks away from rival
Mr Simon Redman, chairman of Greene King, the UK brewer which failed to takeover its rival Morland last year, said he was "very unlikely" to make another hostile bid for that target. His remarks werer interpreted by analysts as signalling Greene King's intention to sell its Morland stake. Page 22

Bank confirms Daimler share tie
Deutsche Bank reiterated yesterday that it had no plans to reduce its 28 per cent stake in Daimler-Benz, Germany's largest industrial holding. Page 22

Laidlaw slides into the red
Canadian waste services and transport operator Laidlaw suffered a $33.6m loss in the three months to May 31, compared with earnings of $38.8m a year earlier. Page 23

Bankers flock south of the border
Privatisations and the wholesale restructuring of business has drawn US and European investment banks to Mexico. Page 23

Heron faces creditors' challenge
Five creditors of Heron, Mr Gerald Ronson's property and trading group, have carried out a threat to challenge its refinancing proposals in the courts. Page 26

Cleggs sell Allied Irish stake
The 14.98 per cent Clegg family holding in Allied Irish Bank Corporation has been sold for about £10.8m. Page 26

A new door opens for Portals
Portals has been producing banknote paper since 1712. But since 1988, when Portals acquired the Paragon electrical engineering group, management has looked increasingly to the emerging protection and control division to provide growth. Page 27

Microgen shares fall on warning
Shares in Microgen Holdings fell 12p to 173p yesterday after the UK specialist computer services group reported first half pre-tax profits down 14 per cent and warned on current trading. Page 27

Sri Lankan tea recovers
After last year's exceptionally poor performance, Sri Lanka's tea industry is showing clear signs of recovery. Page 36

Casino stocks on a roll
The stakes are high and the profits plump. Investing and gambling has become blurred in the high-stakes performance of casino operators listed on North American stock exchanges. Back Page

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko	660	+	20
Berliner Bank	305	+	21
Henkel Prf	565	+	21
MAN	305	+	18.5
Porsche	539	+	19
Siemens	643.5	+	24.1
NEW YORK ($)			
Rises			
AMR	61¾	+	1¾
Nike	56½	+	1¾
Sears	57⅞	+	1¼
Falls			
Newmont Mining	54¾	–	1⅛
Walt Disney	37¼	–	⅛
Woolworth	27⅛	–	¼
PARIS (FFr)			
Rises			
Bouygues	665	+	23
Docks de France	542	+	18
Elf Aquitaine	398.6	+	11.6
Legrand	4365	+	164
Falls			
Euro Disney	59.5	–	8.7
Skis Rossignol	1279	–	15
TOKYO (Yen)			
Rises			
Akebono Brake	630	+	32
Hirabo	510	+	33
Nichibei Fj Cy	365	+	30
Falls			
Hazama	481	–	21
Janome Sw Mach	371	–	24
Nikkatsu	16	–	23

New York prices at 12.30.

LONDON (Pence)			
Rises			
Burn Stewart	122	+	5
Gibbon Lyons	107	+	9
Haemocell	162	+	14
Hawtin	15	+	2
Molynx	35	+	4½
Nesco Invs	45	+	5
Osborne Little	129	+	6
Peel Hldgs	233	+	23
Simon Eng	41	+	4
Sims Food	123	+	11
Sirdar	101	+	6
VSEL	859	+	29
Wace Group	155	+	7
Falls			
ANF Inds	107	–	16
Anglo Pacific	26½	–	3½
Brit Bloodstk	44	–	5
Chartwell	40	–	10
Drummond	29	–	4
Euro Disney	675	–	108
McCarthy Stone	29	–	3
Microgen	173	–	12
Owners Abroad	66	–	32½
Taunton Cider	209	–	11
Yorks-Tyne T	205	–	8

Alice Rawsthorn and Michael Skapinker explain what has gone wrong with the Euro wonderland

Empty pockets hit the Disney dream

One of the cinema commercials running in Paris this summer features Zorro, the black-clad knight, who gallops on his trusty steed through the EuroDisneyland theme park to slip a crystal slipper on to Cinderella's dainty foot.

The commercial is part of a promotion aimed at encouraging Parisians to visit the theme park in the evening. But there is an element of wishful thinking in the script for Euro Disney, which is in deep financial difficulty and desperately needs a Zorro to ride to its rescue.

The group, which lost FFr1.08bn ($180m) in the winter half-year, yesterday warned that it was still losing money in the summer months when the park is busiest. It also announced that it was delaying the development of the second phase of EuroDisneyland and had been forced to ask Walt Disney, its US parent company, for support while it restructured its finances.

Ms Rebecca Winnington-Ingram, European leisure analyst at Morgan Stanley, now forecasts a net loss of FFr1.9bn for Euro Disney in the year to September 30 and a FFr1.1bn loss for next year. "The company clearly has serious problems," she said. "The only solution is to find further external finance."

The chief cause of Euro Disney's operational difficulties is the recession. The number of people visiting the park in the April-June quarter was 3.1m, roughly the same as in that quarter in 1992. This figure was slightly below expectations, given that the park did not open until April 12 last year, but not seriously so.

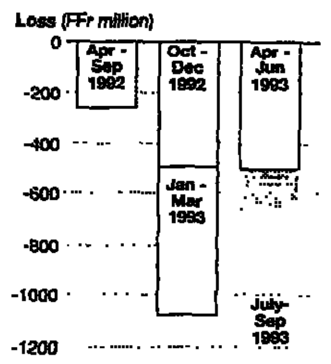
However, the apparently stable figure of 3.1m disguises a steep decline in foreign attendance. The number of British visitors fell by 50 per cent to 310,000 this spring, with Italian visitors down by 25 per cent to 93,000.

Travel companies attributed the fall to the devaluation of the pound and the lira against the French franc after the September currency crisis, which has triggered an overall decline in bookings to France.

British awareness of Disney's parks was greater than in other European countries and visitor numbers from the UK were initially higher. Mr David Bryson, head of product development at Lunn Poly, the largest UK travel agents' chain, said: "Right from the start, we expected that the initial phase would not be representative."

Euro Disney has managed to compensate for the fall in foreign attendance by attracting more French visitors through aggressive promotion. The number of domestic trippers rose to 1.5m this spring, a 50 per cent increase on the previous year. But many were given discounts, thereby reducing ticket revenue.

French visitors are also less likely to spend heavily on food and drink in the park, or to stay in Euro Disney hotels. This, combined with a new strategy of offering cheaper souvenirs and food at the park, depressed revenue from merchandise sales and catering. Spending by guests at the hotels also fell, despite a 10 per cent increase in occupancy levels to 68.5 per cent.



The company blames these operational problems on the temporary pressures of recession. It argues they should recede when the European economy recovers.

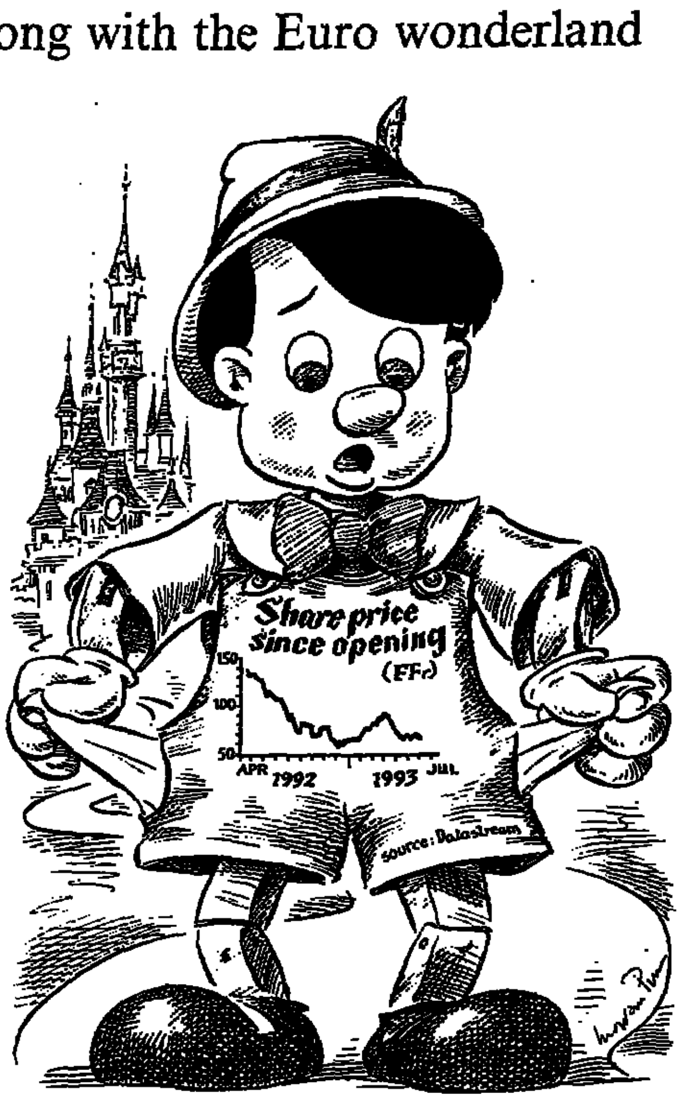
The new management team, headed by Mr Philippe Bourguignon, who took over as chairman last autumn, admits that the original concept for the park was too close to Disney's US parks to suit European taste. The subsequent changes in merchandising, catering, hotel pricing and marketing have been designed to address this. But it will be difficult for Euro Disney to assess the impact until the recession ends.

In the meantime the chief concern is the company's finances. Euro Disney's operational difficulties last year were aggravated by high French interest rates, which raised its interest bill by FFr200m above budget.

The recent falls in French rates have helped to alleviate that problem, but the level of net debt is far higher than expected. This is due partly to the impact of the revenue squeeze on cashflow and partly to a shortfall in anticipated capital gains – the weak Paris property market has forced Euro Disney to delay its property development plans.

Euro Disney's net debt rose from FFr18.5bn last September to FFr20.1bn by the end of March, and now stands at around FFr21bn. Since the start of this year the company has been trying to renegotiate the terms of its debt repayments and leasing arrangements. Only a few months ago it hoped to complete the deal this summer. It was also pursuing its plans for the second phase of EuroDisneyland.

But the negotiations have been complicated by the deterioration in Euro Disney's financial position. Analysts now suspect that the company not only needs to revise the terms of its present financial arrangements, but also to raise additional capital, either from the banks or from Walt Disney. The US parent has agreed to provide financial support for Euro Disney until next spring, when the refinancing is expected to be completed.



In the meantime Euro Disney has put the second phase on ice while it "reassesses" the project. This decision clearly makes short-term sense, as the company cannot afford expensive expansion. But the second phase was expected not only to provide additional revenue, but extra business for the hotels. A lengthy delay may mean that Euro Disney takes even longer to struggle back into profit.

BAe moves to cut risk of breaking covenants

By Daniel Green and Sara Webb in London

BRITISH Aerospace, the UK defence-to-cars group, reorganised its debt yesterday to give it more flexibility in managing assets and reduce the risk of breaching loan agreements with its banks.

The company is replacing an $825m loan, which falls due in June next year, plus some other loans, with a £1.4bn ($2.1bn) five-year revolving credit facility.

At the same time it has changed its main loan covenant from one based on its net assets to one based on its interest cover – the number of times interest costs are covered by profits.

The old net worth covenant was £1.6bn and net assets are about £1.8bn.

Under the new agreement, BAe is obliged to gradually increase its interest cover from about one-and-a-half to about three.

The change allows BAe to "crystallise liabilities without breaching covenants [with its banks]", said Mr Richard Lapthorne, finance director.

This means the company could sell assets below book value, making possible the sale of, for instance, its carmaker Rover Group.

Mr Lapthorne said the loan arrangement "has been tailored to the company's five-year plan as presented to the banks".

Referring to the higher borrowing limit of £1.4bn, compared with £825m, Mr Lapthorne said this would reduce its reliance on any one of its bankers.

When the five-year $825m loan facility was set up, loan margins were relatively low, making it attractive for borrowers to raise financing in the syndicated loan market. The margin was 10 basis ponts over Libor.

Since then, the cost of borrowing has risen. The new credit facility has a margin over Libor of 62.5 basis points on the first third of the loan, rising to a maximum of 87.5 basis points over Libor. Bank fees on the loan range from 10 basis points to 25 basis points.


Richard Lapthorne: loan tailored to BAe's five-year plan

The syndicated facility is being arranged by Barclays Syndications, Lloyds Bank Capital Markets Group, Midland Bank and NatWest Capital Markets.

BAe was advised by JP Morgan.

Lex, Page 20

Amstrad will close Spanish subsidiary

By Paul Taylor

AMSTRAD, the UK-based consumer electronics group run by Mr Alan Sugar, is closing its Spanish subsidiary and is expected to post a substantial full year pre-tax loss as a result.

Under the new FRS 3 accounting rules, Amstrad will be forced to take a £25m exceptional charge against its full year profits to cover the goodwill written-off to reserves at the time of the Spanish subsidiary's acquisition in September 1987.

The charge is expected to swamp any operating profits but will have no effect on shareholders funds or cash flow. Amstrad's already depressed stock closed down ½p at 32p after the announcement. Amstrad acquired its troubled Spanish distribution subsidiary, previously called Indescomp, from Mr Jose Luis Dominguez Morales who built the business during the boom in personal computer sales over the previous three years.

In its heyday the subsidiary, renamed Amstrad Espana, had personal computer sales of more than £100m and was one of Amstrad's largest operations outside the UK employing 250 people.

The closure of the Spanish operations were foreshadowed in February at the time of Amstrad's interim results when the group took nearly £12m of restructuring charges to cover stock write downs, the costs of Mr Sugar's failed buy-back bid, and the costs of re-organising the Spanish subsidiary.

Nike moves to reassure investors on stock volatility

By Martin Dickson in New York

NIKE, the US athletic shoe manufacturer which suffered a sharp share price fall last month when it warned of lower-than-expected fiscal 1994 growth, yesterday sought to reassure Wall Street.

It said volatility in its stock was not consistent with its growth potential. "The recent volatility in our stock is not consistent with the superior results we have generated over the past six years or with the potential growth we see in the future," said Mr Philip Knight, chairman.

The company announced that its board had authorised a plan to repurchase up to $450m of Nike class B common stock over the next three years.

It also reported an 8.8 per cent rise in fourth-quarter 1993 net income, to $76.9m, or $1 a share, compared with $70.7m, or 92 cents, in the same period of last year. Revenues rose 16 per cent to $983.3m.

The figures were broadly in line with market expectations and combined with Nike's other announcements to boost its shares $1¾ to $56¼ in morning trading on the New York Stock Exchange.

In the fourth quarter its US athletic business saw revenues rise 13 per cent to $521m and US footwear revenues were up 21 per cent at $446m, while clothing revenues dipped 21 per cent at $75m. International revenues rose 18 per cent to $406m, with footwear sales up 15 per cent to $295m and clothing up 25 per cent at $111m.

Consolidated gross margins totalled 39.5 per cent, up from 38.6 per cent, while selling and administrative expenses were 26.2 per cent of revenues, up from 25.3 per cent.

For the full 1993 year the company reported net income of $365m, or $4.74 a share, up 10 per cent from the $329.2m, or $4.30, reported last year. Revenues rose 15 per cent to $3.9bn.

Mr Knight said he believed 1994 would be Nike's seventh consecutive record year, although several factors might cause its growth rate to slow temporarily.

Continued weakness in Europe's larger economies and a stronger US dollar would limit international growth, while US retailers appeared to be ordering cautiously for the Christmas holiday season. These were temporary and would not deter the company from expanding its international business, which was underdeveloped.

Owners shares fall on warning

By Richard Gourlay in London

OWNERS ABROAD, the UK holiday company which narrowly escaped being taken over by UK rival Airtours less than four months ago, yesterday stunned the City of London with the forecast that profits this year would be half market expectations.

Mr Howard Klein is to resign as chairman and Mr Roger Allard will step down as director in charge of tour operations.

The profit warning cut a third off the company's market value. Its shares fell 32½p to close at 66p, less than half the 149p price at which Airtours was buying shares at the end of the fiercely contested £294m bid.

Mr Klein said the profits collapse had two immediate causes. One was severe pressure on margins. The other was the fact that Lunn Poly, the travel agency chain which is one of Owners Abroad's largest outlets, had sharply increased its sales of holidays provided by Thomson, the UK's largest tour operator.

Shareholders and corporate financiers said they could not remember when a successful defence against a hostile bid had been followed so suddenly by such a profit warning.

The turnround is likely to lead to an inquiry by the UK Takeover Panel and raises questions about the value of representations made by advisers at the time of the bid.

Samuel Montagu, adviser to Owners Abroad, said its client had not issued a profits forecast as part of its defence. "The trading results continued to be in line with budget up to the end of April and substantiated the extensive due diligence we did in the bid defence," the merchant bank said.

Owners' largest shareholder, Thomas Cook, the travel agency which with its German sister company LTU, is controlled by Westdeutsche Landesbank, the German state bank, described the profits warning as a "little local difficulty". Thomas Cook and LTU bought a total of 21 per cent of Owners' shares at 150p to bolster its defence.

Mr Chris Rodrigues, Thomas Cook's chief executive and non-executive director of Owners Abroad, said: "The boys got the product mix wrong. They were in the wrong places at the wrong price."

Details, Page 24; Lex, Page 20

AEG white goods division strengthens Electrolux link

By Christopher Parkes in Frankfurt

AEG's domestic appliances division is to extend its co-operation with Electrolux, the Swedish multinational with which it recently swapped minority share stakes.

Decisions on co-operation in other product areas, apart from an existing link in laundry appliances and dishwashers, could be expected in the autumn, the Daimler-Benz subsidiary said yesterday.

Meanwhile, cost-cutting measures were continuing in the light of an expected marked weakening in deliveries this year, Mr Carlhanns Damm, AEG chairman said yesterday.

The workforce was being reduced by more than 500 to 8,500. Export markets were especially weak, he said, and a 1 per cent increase in sales by the German parent in the first half was due to domestic demand. Profits would be hit by lower exports and exchange rate losses, Mr Damm added.

The slowdown followed a successful year in which turnover had been aided by strong demand from eastern Germany, and improvements in the group's costs structure, including the loss of 500 employees, had lifted net earnings to DM60m ($37.5m) from DM28m in 1991. Sales rose to DM2.33bn from DM2.22bn.

AEG and Electrolux were satisfied with the results of their first six months' co-operation, Mr Damm said.

Under the present deal, the companies manufacture washing machines jointly, and AEG supplies Electrolux with clothes dryers and dishwashers.

Bank confirms Daimler tie-up

By David Waller in Frankfurt

DEUTSCHE Bank reiterated yesterday that it had no plans to reduce its 28 per cent stake in Daimler-Benz, Germany's largest industrial holding.

This followed comments from Mr Edzard Reuter, Daimler-Benz chief executive, that he expected Deutsche to cut the stake "in the medium-term". He told journalists in Nuremberg that after such a move, Deutsche would remain a large and valued shareholder. Mr Reuter's comments revived speculation that Deutsche was considering cutting the stake which it has owned in Daimler since the late 1920s, the biggest holding in the bank's portfolio of share-stakes in large German companies.

Earlier this year, Mr Ronaldo Schmitz, a board director of the bank, told a meeting of investors in Düsseldorf that the two companies agreed that the stake should be cut "before too long".

Daimler and Deutsche have denied there were any plans for a reduction in the stake. However, the fact that the issue is being talked about in public shows the extent to which Germany's industrial and financial establishment is prepared to consider radical steps amid economic downturn.

Analysts suggest that one way for the Deutsche Bank to reduce its stake would be for it not to take up its entitlement to shares in a future Daimler rights issue.

Daimler has said it was contemplating raising DM2bn to DM3bn next year after the company has obtained a listing in New York.

Deutsche's links with Daimler count as one of the central features of German capitalism, illustrating the traditionally close ties between Germany's universal banks and industrial companies.

Greene King hints at stake sale

By Roland Rudd in London

MR SIMON Redman, chairman of Greene King, the brewer which failed to take over its rival Morland last year, said he was "very unlikely" to make another hostile bid.

He said Greene King would retain its 29.3 per cent stake in Morland, for "the time being". The remark was interpreted by analysts as signalling Greene King's intention to sell its Morland stake. The £1.7m ($2.55m) net cost of carrying the stake raised the brewer's interest charges from £5.5m to £7.3m, contributing to a small fall in pre-tax profits, from £20.3m to £20.1m. Borrowings rose to £79m from £48.8m.

Since the stake was acquired Morland's shares have risen from 450p to yesterday's closing price of 543p. Greene King's shares yesterday rose 5p to 455p.

Mr Redman said yesterday he was unlikely to make another hostile bid, since the price for success could prove too expensive. He described the £214.3n paid for J. A. Devenish, the west country pubs group, by Greenalls, the UK pubs and hotels group, as "high".

The recent move outflanked rival pubs group, Boddington, which had been considering another offer for Devenish after an unsuccessful £120m hostile bid two years ago. Boddington accepted the cash offer for the 19.2 per cent stake it had acquired in Devenish.

There was a £2.6m extraordinary charge for underwriting costs and professional fees for the failed Morland bid. Taxable profits were also affected by lower property disposals following last year's property revaluation. There was an exceptional loss of £80,000 compared with a profit of £625,000.

The impact of the recession continues to adversely affect the pub trade. Mr Redman said there were only small signs of improvement.

Details, page 26

Nokia shrugs off the turmoil of the 1980s

Hugh Carnegy looks at the strategy that has taken the Finnish group back to the black

WHEN Mr Jorma Ollila and his band of young Nokia executives took two aeroplane-loads of guests this week to eastern Finland for a trip by lake steamer to the opera, they could afford to shrug off the cold damp weather that chilled the setting of Olavinlinna Castle.

With Nokia riding back into the black on the back of rising demand for its telephone systems and mobile phones, and a near FM1bn ($185.2m) international share issue comfortably in the bag, the chief executive and his team could enjoy a stirring performance of Verdi's Macbeth warmed by the knowledge that Finland's highest profile company is looking in better shape than for some considerable time.

The same day, Nokia had announced it was buying out Tandy Corporation's share of two joint venture producers that Nokia and Tandy had founded in South Korea and the US in a move by the Helsinki-based group to consolidate its position as the largest cellular mobile phone supplier in Europe. Its 20 per cent world market share is second only to Motorola of the US which has 30 per cent.

The message from Mr Ollila was that Nokia is moving smartly ahead in its aim to concentrate on telecommunications – particularly in mobile telephone systems and equipment – where markets are expanding in spite of a faltering economic outlook, especially in Europe. Pre-tax profits for 1993 are seen by analysts as high as FM650m compared with a loss of FM158m last year.

A sharply rising trend in Nokia shares suggests that the message has been well received. This week the price approached the FM200 mark, unchecked by the issue of 6m new shares and more than three times the level in early 1992.

However, a cynical shareholder might well respond by saying "about time, too".

The recovery apparently well under way at Nokia follows a long period of turmoil during which a series of hastily-assembled acquisitions in the late 1980s turned the group into an unwieldy high-technology conglomerate that stumbled into heavy losses and obscured the progress of its telecommunications business.

Nokia is struggling with some of the legacy of that time: its loss-making consumer electronics division, still accounting for more than 30 per cent of overall sales, was responsible for the group's loss last year.

The division, mainly making colour televisions for the depressed European market, is not expected to break even until 1994.

Consumer electronics was one of the areas Nokia moved into in the 1980s under the charismatic leadership of Mr Kari Kairamo.

Before his suicide in late 1988, he had added telecommunications and computers, as well as televisions and radios, to Nokia's traditional role as a paper, rubber goods and cable manufacturer built up since it was founded in 1865.

The rush to expand was soon revealed as ill-judged. The acquisition in 1988 of Swedish rival Ericsson's data systems business, which became Nokia Data, was followed in 1991 by its sale to Fujitsu-owned ICL of Britain.

Ericsson sold out because it had found it hard to combine computers with its core telecommunications business and wanted to concentrate on the latter. Nokia learnt the same lesson, but three years later.

A strategy of focusing on the telecommunications markets is in place, driven by a young team – the average age among Nokia's top 12 executives is 44

It was not lost on Mr Ollila. Although chief financial officer under Mr Kairamo, he makes no bones about the mistakes and led something of a management purge when he took over in January last year. He replaced the heads of the four main Nokia divisions, telecommunications, mobile phones, consumer electronics and cables and machinery, and sold off what remained of Nokia's paper businesses.

A strategy of focusing on the telecommunications market is in place, driven by a young team. The average age among Nokia's top 12 executives is now 44, and just 32 among managers in the telecommunications divisions. Mr Ollila is still a month short of his 43rd birthday. Mr Pekka Ala-Pietila, who succeeded Mr Ollila as head of mobile phones, is just 36.

"I think that youth is a tremendous asset in a business that is changing fast," Mr Ollila says.

Nokia is betting its future on its strength in low-cost fixed telephone systems, based on many off-the-shelf components, and in mobile telephone systems and handsets. In spite of only coming to the telecommunications business in the 1970s, Nokia has built up a strong background of expertise in both areas.

Like Ericsson, it benefited from the establishment, in the early 1980s, of a pan-Nordic mobile telephone standard and the emergence of the Nordic countries as world leaders in mobile phone penetration. Sweden and Finland, with 7.9 and 7.1 mobile phones per 100 people respectively, top the world league, compared to 4.9 in the US. Japan is still not in the top 10 on this measurement. Nokia is a market leader – second in the world to Ericsson – in equipping digital telephone networks. It remains strong in analog systems, but is banking on a strong growth in demand for the more expensive digital systems, such as Europe's GSM networks, throughout the rest of the 1990s.

It will make its first move into Japan in digital mobile phones next year and intends to increase significantly the 16 per cent share of its FM20bn annual worldwide sales currently made in Asia. At present, 9 per cent of sales are in the US and the remainder in Europe. With half of its production still in Finland, Nokia has benefited from the 30 per cent decline in the value of the Finnish markka in the past year.

Mr Ollila says he is happy to stay in home-based manufacturing now that the "horrible" relative costs of a few years ago have been eroded.

He says he is happy to keep in the group its residual tyre and power businesses, in spite of their incongruity, because they are in profit and produce healthy cash flow.

For the time being, Mr Ollila is at pains to deny persistent market speculation that the consumer electronics business, in which four out of six TV manufacturing plants have been closed, will be sold off.

A recent estimate by analysts Alfred Berg showed Nokia's anticipated earnings per share in 1993 of FM6.00 would double to FM12.30 if the consumer electronics side was disposed of.

Mr Ollila says Nokia is looking for partnership agreements, not a buyer, but adds: "We are working to reduce our exposure to consumer electronics. In future it will not be the 30 per cent of sales it is today."

Robeco assets rise 20% to Fl 56bn

By Ronald van de Krol in Amsterdam

ROBECO Group, the big Dutch-based fund manager, said its assets under management rose by a strong 20 per cent to Fl 55.7bn ($29.3bn) in the first half of 1993, helped by large gains on investments as well as a substantial inflow of new funds.

Robeco, the group's flagship equity fund achieved a 15.6 per cent return on investment, including dividend reinvestment.

The strongest performance was turned in by Robeco's regional investment vehicle, RG Pacific Fund, which produced a result of 27.6 per cent. Its Europe fund saw an 11.9 per cent advance, while its America fund saw a rise of 8 per cent.

Overall, eight of the group's 12 bourse-listed investment funds achieved half-year results of more than 10 per cent.

Rotterdam-based Robeco said that although first-half investment results had exceeded historical full-year averages, it expects a further increase in results for the rest of 1993. This development will be spurred by additional decreases in short-term interest rates in Europe, bolstering stock and bond prices and prompting investors to move out of deposits into other investment vehicles.

It attributed the first-half results to the buoyancy of world financial markets caused by lower interest rates, as well as to favourable currency movements.

In the first-half, Robeco's client base rose by 50,000 to 530,000.

Uni to be released from state control next week

By Karen Fossli in Oslo

NORWAY'S finance ministry will free Uni Storebrand, the country's biggest insurer, from public administration on July 13.

The move, announced yesterday, is conditional on Uni's creditors demanding no more than NKr420m ($60.9m), or an average interest rate of 11 per cent, in interest payments since the time Uni was put under state control after it collapsed last August. Uni's debts will be repaid in full, the ministry said. However, some of Uni's creditors said Norwegian law would allow higher rates of interest to be repaid.

Uni collapsed with debt of NKr3.8bn used to finance a failed raid on Skandia Forsakrings, Sweden's biggest insurer.

The move follows a recapitalisation of the group in which a recent share offer raised NKr2.8bn and a bond issue raised another NKr1.5bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 09.07.93: Pool purchase price £/MWh	Final Prices for Trading on 11.06.93: Pool purchase price £/MWh	Final Prices for Trading on 11.06.93: Pool selling price £/MWh
0030	20.64	25.42	28.85
0100	20.44	20.30	23.83
0130	20.44	20.30	23.83
0200	20.44	20.30	23.83
0230	20.44	20.30	23.83
0300	20.44	20.30	23.84
0330	20.44	20.30	23.84
0400	20.44	20.30	23.64
0430	20.44	20.30	23.83
0500	20.44	20.56	23.97
0530	18.04	18.04	18.04
0600	18.02	18.04	18.04
0630	18.02	18.05	18.05
0700	22.16	24.82	28.41
0730	24.67	24.82	28.21
0800	24.86	25.40	28.79
0830	28.64	27.38	30.86
0900	28.39	34.21	38.14
0930	31.86	34.69	38.56
1000	31.94	34.89	38.76
1030	28.71	34.85	38.70
1100	32.12	34.83	38.65
1130	33.98	35.12	39.04
1200	33.98	35.31	39.27
1230	33.80	35.05	38.94
1300	33.45	34.45	38.21
1330	28.66	28.29	31.70
1400	28.15	27.88	31.26
1430	26.17	26.48	29.80
1500	25.53	26.18	29.48
1530	25.52	26.17	29.48
1600	25.30	26.17	29.47
1630	25.30	34.40	37.97
1700	33.01	34.41	37.97
1730	33.01	34.40	37.98
1800	33.00	34.39	37.98
1830	24.98	25.34	28.64
1900	24.84	24.82	28.11
1930	24.67	24.82	28.12
2000	23.37	24.82	28.13
2030	23.37	24.82	28.13
2100	23.37	24.82	28.13
2130	22.16	24.82	28.13
2200	33.79	36.30	40.03
2230	33.79	36.30	39.99
2300	33.79	36.30	40.03
2330	22.16	24.82	28.18
2400	21.80	23.38	26.67

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.86/MWh becomes 1.586p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456788 between 8:30am and 5:15pm Monday to Friday.
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Laidlaw takes $120.5m charge in third quarter

By Bernard Simon in Toronto

THE deteriorating economics of US landfill operations have led Laidlaw, the Ontario-based waste services and transport operator, to take a special US$120.5m charge against third-quarter earnings.

The write-down pushed Laidlaw to a $33.6m loss, equal to 12 cents a share, in the three months to May 31, compared with earnings of $38.8m, or 14 cents a share, after extraordinary items a year earlier.

Revenues climbed to $543.8m from $517.4m.

Equity earnings from Laidlaw's 28 per cent interest in ADT, the international security and vehicle auctions group, and from its 35 per cent stake in Attwoods, the UK-based waste management company, edged up to $8.8m.

A Laidlaw official said yesterday that the write-down followed a year-long review of US markets.

The company has decided not to develop five sites bought earlier for landfill operations, nor to expand three other existing landfills.

Rubbish volumes in North America have declined markedly in recent years, partly as a result of the recession, but also reflecting moves towards recycling and re-using waste.

At the same time, margins have been squeezed by intensifying competition. Laidlaw's solid-waste margins narrowed to 8.4 per cent in the third quarter from 10.3 per cent a year earlier.

Hazardous-waste margins slid to 9.8 per cent from 15.3 per cent.

Laidlaw's expansion in waste-services has recently focused on Europe, especially Italy. It is also investigating opportunities in Mexico.

The company recently diversified its passenger-transport business by acquiring San Diego-based Medtrans, one of North America's biggest ambulance and medical transport operators.

The medical transport business is expected to offer acquisition opportunities similar to those which spurred the growth of its school-bus operations in the 1980s.

Total industry revenues are estimated at $4bn a year, but the business is fragmented among about 4,800 operators.

Laidlaw is 47 per cent owned by Canadian Pacific. Its share price fell by 75 cents to C$9.13 on the Toronto stock exchange yesterday morning.

Yasuda buys 10% of Cigna arm

By Robert Thomson in Tokyo

YASUDA Fire and Marine Insurance, the Japanese non-life company, has agreed to take a 10 per cent stake in INA Life Insurance, a Japanese arm of the Cigna group of the US, in preparation for planned reforms of the Japanese life market.

The Japanese government is planning to dismantle the barriers between non-life companies and life assurers after 1995, and Yasuda said the stake in the Japanese arm of a US company would allow it to gain experience in the life market in advance of the changes.

Under Japanese law, Yasuda can take no more than the 10 per cent stake, for which it paid an undisclosed sum. Japanese reports suggested that the company invested Y5bn ($46.4m), but Yasuda would not confirm that figure.

INA, established in Japan in 1981, had assets of Y136.3bn at the end of March and collected Y71.4bn in premiums last financial year. Under the agreement, Yasuda will send trainees to INA to gain experience in the life business, while INA products will be sold through Yasuda's office network.

The Yasuda strategy is similar to that of larger Japanese banks, which have prepared for their gradual entry into the securities market by holding strategic stakes in medium-sized Japanese brokerages and routinely rotating staff through these companies.

A&P falls to $17m in first term

By Martin Dickson in New York

GREAT Atlantic & Pacific Tea Company, the US supermarket operator in which Germany's Tengelmann group holds a majority stake, yesterday reported a 25 per cent drop in first-quarter earnings before special charges.

The company, which has come under fire from the New York state employees' pension fund for a lacklustre profits record, reported earnings of $17.05m, or 45 cents a share, compared with $22.8m, or 60 cents a share, last year.

The 1992 figures were turned into a $157.4m loss by $180.2m of unusual non-cash charges.

Sales in the quarter totalled $3.28bn, compared with $3.3bn, and the 1993 figures were helped by over 11 weeks of sales from over 40 Big Star stores acquired in late March.

The gross margin rate rose to 28.7 per cent from 28.55 a year earlier.

Same-store sales in the quarter dropped 0.8 per cent, but the company pointed out that this was an improvement from the 3.1 per cent drop in the fourth quarter.

Mr James Wood, chairman, said same-store sales showed an improving trend in a very gradually improving economic climate.

● Chevron, the US oil group, is to sell its 71-year-old headquarters building at 225 Bush Street in San Francisco's financial district as part of its corporate restructuring, agencies report from San Francisco.

The group has about 2,000 employees in San Francisco.

Canadian combination creates new C$20bn unit

By Robert Gibbens in Montreal

CANADA'S financial services deregulation, coupled with the long recession and rising competition, have forced the big Desjardins credit union movement to consolidate with the publicly-held Laurentian Group.

The newly-formed group will have corporate assets of around C$20bn (US$15.6bn) and a further C$50bn under administration through its subsidiaries.

It will rank as Canada's fifth or sixth biggest financial services conglomerate, including units in banking, trust services, life insurance and mortgages.

Laurentian had been seeking a strategic partner for more than a year, partly to inject new capital into its life and general insurance unit. Desjardins operates 1,600 banking units, mainly in Quebec, while Laurentian Bank operates in both Quebec and Ontario.

Desjardins will have majority control of the new Desjardins Laurentian Financial Corp, taking in the financial services units of both groups.

However, Laurentian General, a property and casualty insurer, is excepted from the deal.

Laurentian Group's 50 per cent holding in this unit is being sold to its partner, La Victoire of France, for an undisclosed sum. The French company paid about C$50m for its 50 per cent share in 1990.

Both Mr Claude Beland, head of Desjardins, and Mr Jacques Droin, chairman of Laurentian, said the consolidation had been dictated by heightened competition resulting from globalisation of financial markets.

The two main life insurance subsidiaries of Desjardins and Laurentian will be merged, although this arrangement excludes Imperial Life in Toronto.

Laurentian Group minority shareholders will receive a combination of cash and common shares of Desjardins Laurentian Financial.

Mixed fortunes for US retailers

By Karen Zagor in New York

JUNE was a mixed month for US retailers, with performances ranging from a strong improvement in same-store sales for Sears to a decline in comparable store sales for Woolworth, which also warned that it would post disappointing second-quarter earnings.

In the previous month the big retailers generally experienced modest sales gains.

Woolworth, which has reported weak figures recently, posted a 0.5 per cent decline in domestic comparable store sales for the five weeks to July 3.

It predicted that second-quarter earnings would fall significantly below the previous year's results.

"Consumer spending continues to be under pressure in our principal markets and sales are continuing to run well below plan," said Mr William Lavin, chairman and chief executive. "Consequently, we are anticipating that earnings for the second quarter will fall well below last year's second quarter," he added.

Sears, Roebuck, the Chicago-based retailer, fared significantly better, with same-store sales up 12 per cent in the month in its core domestic stores division.

"A majority of our businesses reported double-digit percentage sales increases," said Mr Arthur Martinez, chairman of the merchandise division.

Kmart, the discount and speciality store group, said June sales had "strengthened considerably".

The Troy, Michigan-based group attributed the improvement to warmer weather in important markets and the start of Kmart's clearance programme for spring and summer merchandise.

Kmart's same-store sales rose by 2.8 per cent in June, including a 4.8 per cent gain on the general merchandise side.

Wal-Mart Stores, the nation's top-selling retailer, turned in a 7 per cent rise in same-store sales for June. Comparable store sales were up 5 per cent for the five months to June 30. Its Sam's warehouse clubs posted a 1 per cent rise in same-store sales, compared with a 2 per cent decline in the first five months of the financial year.

In the department store sector, J.C. Penney saw comparable store sales increase 4.5 per cent in the June period. At May Department Stores, store-for-store sales were 5.7 per cent higher, with a 6.2 per cent rise in its department stores.

At Federated, comparable-store sales were 6.6 per cent higher, but the company warned that it expected slimmer sales increases in the second half, compared with a strong second half in 1992.

"We have planned on that basis, however, and we continue to view the remainder of this year with what we think is an appropriate degree of caution," said Mr Allen Questrom, chairman and chief executive.

Goldsmith confounds sceptics with sale of Newmont shares

By Kenneth Gooding, Mining Correspondent

MANY analysts were sceptical when Sir James Goldsmith, the international financier, said three years ago that he would find a way to sell most of his 49 per cent stake in Newmont Mining, North America's biggest gold producer, without damaging the share price. But he appears to have achieved that objective.

The 9.65m Newmont shares he and his colleague Lord Rothschild are to sell via public offering are to be priced at $54.75 each. Analysts suggest the price is about right given the state of the gold market.

Newmont shares were priced at just over $52 last week when the financiers announced their intention to make a secondary offering – representing 12.5 per cent of Newmont.

Sir James and Lord Rothschild paid $1.1bn, or $39 a share, for their holdings in October 1990. After the offering, Sir James's stake will have been reduced to 4.9 per cent. Lord Rothschild's holding will be 1.5 per cent. They have taken advantage of the fire they helped ignite in the market in April by selling, at $39.50 a share, 10 per cent of Newmont to US funds managed by Mr George Soros. A further 9.5 per cent was sold to a banking consortium in May. These were sold on at $45.50 each.

The latest sale, by public offering scheduled for delivery on July 14, will raise $528m.

"This is a fairly full price, but not an outrageous price," said Mr John Phizackerley, analyst at Lehman Brothers. "Sir James has kept his word that he would exit Newmont without damaging the price for everybody else. Whether Mr Soros exits so gracefully is another matter."

Novell plans multimedia for PC networks

By Louise Kehoe in San Francisco

NOVELL, the software developer, is to add full-motion video capabilities to its widely-used Netware network operating system, which manages and controls networks of personal computers.

Novell aims to make multimedia capabilities, currently limited to stand-alone desktop computers, available on PC networks.

Applications may include video conferencing and "live" broadcast of, for example, business presentations and training or education sessions.

Networked multimedia would also provide real-time updates of stored video files, overcoming the limitations of desktop CD-Rom systems that can only be updated with new CDs. Novell will make network services for multimedia available in phases beginning in 1994.

The company also announced it had bought Fluent, a small software developer specialising in multimedia, for $17.5m. Novell will integrate Fluent's applications into Netware. It said the purchase would probably result in a one-time write-off of assets of up to $15m during Novell's third quarter.

Fidelity has 1.4% stake in YPF

By John Barham in Buenos Aires

FIDELITY, the leading US investment fund company, has become the largest private investor in YPF, Argentina's recently-privatised oil company. The Economy Ministry confirmed yesterday that Fidelity paid $95m for its 1.4 per cent stake in YPF.

According to data leaked to the local press yesterday, 20 of YPF's largest private investors now hold 16 per cent of its equity.

Last month the government raised $3.04bn from the sale of 45.3 per cent of YPF. A further 12.7 per cent has been reserved for pensioners in Argentina. The federal and local governments and employees hold the remaining 42 per cent of the company's shares.

Perez Companc, Argentina's third-largest company, and FIMA, a local unit trust fund, are the only Argentine groups with significant holdings in YPF, with 1.3 per cent and 0.2 per cent respectively.

Investment funds, including S.G. Warburg, Mercury Asset Management and Schroders of the UK and Capital Research and Management, Oppenheimer, and Alliance Capital of the US, make up the bulk of YPF's new private investors.

Two foreign debt-driven investment funds run by foreign banks also took large stakes.

Citicorp, acting through an investment company funded with Argentine foreign debt, and the APDT debt-for-equity fund took 1.5 per cent and 1.2 per cent respectively.

INTERNATIONAL COMPANIES AND FINANCE

Cummins Engine and Telco link in Indian venture

By Andrew Baxter

CUMMINS ENGINE of the US and India's Tata Engineering and Locomotive (Telco) yesterday announced an important $50m joint venture to produce engines for Telco vehicles at a proposed new plant at Jamshedpur.

The deal is one of the biggest joint ventures agreed in India in the past two years, since it began to promote inward foreign investment as part of an economic liberalisation programme.

The equally-owned venture will bring together the world's largest independent producer of diesel engines and India's dominant manufacturer of trucks and buses.

It is expected initially to produce about 60,000 Cummins B Series engines a year when operations begin in mid-1995. They will power Telco vehicles for the Indian market and for export.

For Cummins, the deal is another important plank in its Asian strategy, and comes five months after it announced a co-operation deal in diesel engines with Komatsu of Japan. The US company has been producing large diesel engines in India for about 30 years through its Kirloskar-Cummins joint venture.

However, Mr Henry Schacht, Cummins' chairman and chief executive, said yesterday: "We were missing from the volume part of the market in India – the eight, six and four-litre engines."

The engines produced from the new plant, about 150 miles west of Calcutta, will replace an important Telco range. This will allow the Indian company to move to a new generation of efficient, low-emission engines in partnership with an established producer which has already invested heavily in the latest diesel and emissions technology.

Mr Schacht said the joint venture should be profitable in its second full year of operation. The new plant would be able to handle growth beyond Telco's current needs, and also supply engines for off-highway markets through Kirloskar-Cummins.

Telco, the world's sixth largest manufacturer of medium and heavy commercial vehicles, is the largest of the Tata group of companies. Last month it reported a 75 per cent fall in net profit, to Rs300m ($9.6m) for the year ended March.

The joint venture is an important part of Telco's modernisation and expansion plans, and follows the opening in the past year of a new truck assembly plant at Lucknow in north India.

The venture has yet to be approved by the Indian government.

● The Indian government has approved the establishment of Seagram (India). The new company will have a capital investment in excess of Rs250m. It will produce distilled spirits, and develop fruit juice and fruit processing capacity.

Australian TV network unveils float prospectus

By Bruce Jacques in Sydney

DIRECTORS of Seven Network, the Australian television operator sent into receivership in 1989, yesterday released details of a fully-underwritten public flotation to raise A$611m (US$427.3m).

The company will issue just over 300m shares, at A$2 each, and raise another A$125m in debt. Proceeds will be applied to repayment of just over A$700m worth of loans owed to a banking syndicate which restructured the company in 1991.

The Seven Network prospectus confirmed that Mr Rupert Murdoch's News Corporation, the Australian media group, and Telecom, the Australian phone company, would subscribe for 15 and 10 per cent respectively of the company's shares.

Seven indicated yesterday that the company's earnings before interest and tax had fallen markedly for the year ended June, 1993, reflecting high costs associated with televising the Barcelona Olympic games.

The prospectus shows earnings before interest and tax falling from A$70.9m to A$56.1m for last year, but forecasts a recovery to A$85.4m in the current year. That compares with just A$10.6m in 1990.

Analysts suggested yesterday that the Seven flotation could benefit from unsatisfied demand for the share issue by Woolworths, the Australian retailer. Woolworths subscriptions, due to close today, are believed to be running at more than twice the A$2.45bn sought.

Proton profit slides 24%

PERUSAHAAN Otomobil Nasional (Proton), the Malaysian car maker, reports a steep drop in pre-tax profits for the year ended March, 1993. However, it is holding its dividend at 16.25 sen a share, AP-DJ reports from Kuala Lumpur.

Revenues improved by 4.6 per cent, to M$2.29bn (US$891m), but pre-tax profits tumbled from M$408m to M$311m, a fall of 24 per cent.

Investment banks rush down Mexico way

State sell-offs and corporate shake-ups are proving irresistible, writes **Damian Fraser**

US and European investment banks are flocking to Mexico, drawn by privatisations and the wholesale restructuring of Mexican businesses brought about by free trade pressures.

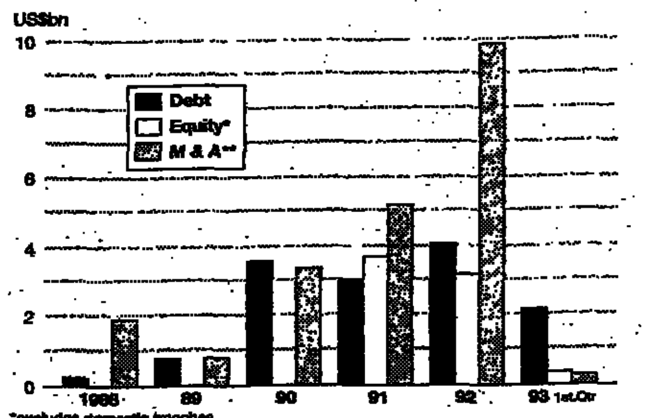
From almost nothing five years ago, corporate finance activity in Mexico was worth almost $17bn last year, making Mexico by far the biggest market in Latin America.

Virtually every important international investment bank – led by J.P. Morgan, Citibank and Goldman Sachs in the US, and in the UK by N.M. Rothschild and S.G. Warburg – has teams of bankers devoted to Mexico, either working out of representative offices, or from near-permanent suites in five-star hotels.

Mexico prohibits international investment banks (apart from Citicorp) from setting up subsidiaries in Mexico – although this will change when and if the proposed North American Free Trade Agreement is approved by US Congress.

Until now the most lucrative business has been privatisation. Goldman Sachs advised on the $5.4bn privatisation of Mexico's telephone company, Teléfonos de Mexico; CS First Boston on the $12.4bn privatisation of the 18 banks; and S.G. Warburg on the steel mills sell-off. Scores of other banks, such as Baring Securities, muscled in on the deals as co-managers of equity issues.

Investment banking activity in Mexico



*excludes domestic tranches
**represents completed transaction volume for the period
Source: Morgan Stanley Debt, Equity and M&A Databases

While the official privatisation programme is being wound up, the banks have been turning to private financing of Mexico's public infrastructure, offering the government advice on attracting private investment to electricity, roads, water, and other former state responsibilities. Such investment is likely to run into tens of billions of dollars over the next decade.

N.M. Rothschild and partners have just opened a Mexican incorporated financial boutique to take advantage of such project finance opportunities, in which it has long experience in Europe and South America.

"We will now be able to expand on-shore activities significantly, which we were reluctant to do from the base of a representative office," says Mr Charles Alexander, head of Latin America for the bank.

Rapid changes in Mexican corporate strategy are fuelling demand for mergers and acquisitions work. Mexican companies, open to free trade for six years, are having to increase productivity to compete with foreign rivals.

"What happened in Europe after 1986 is happening in Mexico. Companies realise that with cross-border competition they needed to concentrate on what they do best, look for partners, and sell off peripheral businesses," says Justin Manson, of Morgan Stanley.

Undisputed leader in cross-border mergers and acquisitions is J.P. Morgan. It advised PepsiCo in its $320m acquisition of 80 per cent of the biscuit company Gamesa, Cemex on its $1.8bn purchase of the Spanish companies Sanson and Valenciana, and investors from Femsa on its $2.55bn purchase of 51 per cent of Bancomer. Unlike other banks, J.P. Morgan stayed in Mexico through the lean 1980s, building a presence.

Such M&A work has expanded significantly as Mexican companies look for partners, and as foreigners search for easy ways to enter the potentially lucrative Mexican consumer market. In the past 14 months, Cadbury Schweppes has bought the water arm of Femsa; Anheuser-Busch 18 per cent of Modelo, the brewer, for $477m; and Coca-Cola 30 per cent of the soft drinks division of Femsa for $195m.

These acquisitions have been concentrated in distribution-intensive consumer product industries, where barriers to entry for foreign companies are hard to surmount. However, J.P. Morgan and other banks believe approval of the North American Free Trade Agreement will draw US firms looking to secure joint ventures in the manufacturing sector, and take advantage of cheap Mexican labour to export back to the US.

While such joint ventures are expected to hold the greatest potential, last year there were more Mexican acquisitions of foreign companies than of Mexican companies by foreign concerns. The Cemex purchase of the Spanish cement companies and others pushed the value of such transactions to $2.8bn in 1992.

These purchases reflect growing internationalisation of Mexican business, as free trade encourages large companies, such as Televisa, Cemex and Vitro, to compete globally. "Some Mexican companies have essentially out-grown their market," says Mr Richard Duron, head of Latin American M&A for J.P. Morgan. "You could expect many more of these deals."

Growing international competition has sustained the boom in Mexican international equity and debt offerings, as companies have sought to raise cheap dollar debt to upgrade plants and compete with international rivals. Last year, Mexico raised $7.2bn in debt and equity markets, according to Morgan Stanley, against $6.7bn in 1991, and a mere $252m in 1988.

Mr Paul Zuckerman, head of Latin America for S.G. Warburg, says: "Big companies have become subject to international competition. If they want to operate internationally they have to fund themselves on a competitive basis."

NEWS DIGEST

Poor reception for Shanghai Gaoqiao offer

CHINA'S first public offer of Class "B" shares in Hong Kong has been undersubscribed, underscoring the sluggishness of the mainland's fledgling stock markets, AP-DJ reports from Hong Kong.

Sources close to Shanghai Outer Gaoqiao Free Trade Zone Development, a property developer within China's first free trade zone in Pudong, Shanghai, said the company had received bids for just over 70 per cent of its HK125m (US$16.1m) public share offer.

The offer for foreigners closed on Monday in Hong Kong. The "B" shares are scheduled to start trading on the Shanghai Securities Exchange on July 26. The company's Class "A" shares for Chinese domestic investors were listed in May.

The Shanghai Gaoqiao offer follows failures of new "B" share issues by Chinese companies in China. It is likely to hamper the planned public offer of Shenzhen Special Economic Zone Real Estate, which intends to issue 100m Class "B" shares in Hong Kong.

The sources attributed the under-subscription to the mainland's generally weak market. They brushed aside the impact of competition from other public offers by Chinese state-owned enterprises.

Saudi bank ahead

SAUDI Holland Bank, one of the kingdom's nine joint-venture banks, reports an increase of 70 per cent, to SR92m ($24.5m), in net profits for the first half of 1993, Reuter reports from Manama.

The Riyadh-based bank is 40 per cent-owned by the Dutch ABN-Amro bank and 60 per cent-held by Saudi Arabian investors.

Four other banks have announced solid gains for the first six months of 1993. Saudi Holland earmarked an unchanged SR25m for loan-loss provision in the half year.

Customer deposits climbed to SR8.38bn from SR7.66bn. Total assets rose 22 per cent to SR13.54bn riyals.

The Saudi Investment Bank, one of Saudi Arabia's smaller banks, said net profit rose 32.8 per cent, to SR32m ($8.5m), for the first six months of 1993.

The Riyadh-based bank is owned by Saudi shareholders and an assortment of Saudi and foreign banks, including Chase Manhattan of the US and Industrial Bank of Japan.

SAIB said net profit for the second quarter of 1993 climbed 11.3 per cent to SR16.7m. Total assets rose 11.2 per cent, to SR5.28bn at end-June 1993.

Amcor accounts row

AMCOR, the Australian paper and packaging company, has agreed to print a notice in its next annual report disclosing an accounting dispute with the Australian Securities Commission, Reuter reports from Melbourne.

The Securities Commission is disputing the treatment of a A$50.5m (US$34.1m) expense charged by Amcor against retained profits in the year ended June, 1992.

The regulator said the expense, relating to the replanting of forests by the company, should have been charged against operating profit. Such a charge would have reduced Amcor's after-tax profit to A$216m from A$266.5m, the figure reported.

Amcor has agreed to print a note in its annual report outlining this dispute with the commission. The regulator said it would not be taking any further action against Amcor.

FAI rating lowered

STANDARD & Poor's has lowered its rating on the claims-paying ability of Australia's FAI Insurances, to Double-B-Plus, from Triple-B-Minus, AP reports from Sydney.

S&P said it believed it would take FAI longer than expected to "return to supportive financial performance, during which time FAI remains vulnerable to further declines in asset values and poor economic conditions".

French issues slide as franc comes under pressure

By Peter John in London and Karen Zagor in New York

FRENCH government bonds reacted to heavy currency selling yesterday as a range of economic data persuaded investors that economic convergence with Germany had gone far enough.

GOVERNMENT BONDS

The data coincided with positive economic German figures and prompted a rapid movement of money out of France and into Germany.

Economists were engaged in intense debate over whether the move was a one-off correction or whether it meant the end of the trend for French government bond yields to move below those in Germany at every point on the yield curve.

There was certainly a sharp divergence for the yield spread between the two countries' 10-year bonds, which widened to 21 basis points after being around 10 basis points for the past few weeks.

Investors focused on a report issued by Insee, the official French statistics agency, which forecast that national output would fall by 0.7 per cent this year and that the unemployment rate would rise to 12.5 per cent by December. These predictions were more pessimistic than earlier government forecasts which forecast a GDP contraction of 0.4 per cent.

The French franc moved dangerously close to the key FFr3.40 level against the D-Mark and one analyst argued that it was now profitable for speculators to sell the franc and buy the D-Mark as short term French rates were lower than those in Germany.

For France this compares badly with the situation at the end of last year when there was heavy speculation, but that was countered by the 4 percentage point differential between French rates and the lower German levels.

It was also pointed out that at a time of deepening recession France was unlikely to raise rates and so there was less incentive to leave money in francs.

On the Matif, September 10-year futures fell 0.30 in official trading and a further 0.20 after the close to hit 119.34.

■ GERMAN debt prices soared yesterday. There was a feeling that institutions which responded to comments a few weeks ago by Mr George Soros, the international speculator, and moved money out of Germany, decided that they might have gone too short and it was time to correct the weightings.

A revision in the west German consumer price index for June to show a 4.2 per cent year-on-year increase saw German debt prices dip briefly but the trend was optimistic across the board, and in the futures market the contract jumped half a point to 95.91.

■ IN THE UK, gilts confounded many expectations and held firm although they were sidelined by the franc/D-Mark tussle.

The surprise was heightened because much of the recent buying has come from German investors and it was thought that they would take the opportunity yesterday to repatriate funds.

Gilt futures opened slightly lower at 107¼ and traded up to $107\frac{11}{16}$ by the close. Underlying gilts were marginally weaker along the curve.

■ ITALIAN government bonds initially traded higher in the futures market on the latest vote of confidence for the government but the concentration on Germany and a weaker lira sent them back to close half a point lower at 103.80. Spain also drifted back, sliding 40 basis points from the start of trading to 92.90.

■ US treasury prices drifted lower yesterday morning in dull trading as the market digested an unexpected decline in weekly jobless claims.

By midday the benchmark 30-year government bond was $\frac{7}{32}$ lower at $105\frac{17}{32}$, yielding 6.690 per cent. At the short end of the market, the two-year note was off $\frac{1}{32}$, to yield 4.008 per cent.

The market was depressed by a report that jobless claims fell 12,000 in the week ended July 3. Most economists had expected claims to rise 5,000 in the week. Sentiment was dampened further by a string of strong sales improvements for a number of large US stores.

In the absence of significant economic news, market participants are waiting to see whether next week's release of June's producer price index and consumer price index will provide fresh signs of inflation.

FT FIXED INTEREST INDICES

	July 8	July 7	July 6	July 5	July 2	Year ago	High *	Low *
Govt Secs (UK)	97.88	97.87	97.30	97.74	97.38	89.72	98.04	93.28
Fixed Interest	115.90	115.92	115.80	115.78	115.48	106.15	115.92	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 115.92 (7/7/93) . low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 7	July 6	July 5	July 2	July 1
Gilt Edged Bargains	107.3	109.3	95.8	98.2	123.6
5-Day average	106.4	108.9	107.8	108.2	108.7

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	115.8857	-0.003	7.26	7.40	7.79
BELGIUM		9.000	03/03	113.3100	-0.380	7.05	7.00	7.35
CANADA *		7.500	12/03	101.3000	-0.183	7.32	7.34	7.66
DENMARK		8.000	05/03	106.7250	-0.450	7.03	6.86	7.41
FRANCE	BTAN	8.000	05/98	107.0983	-0.474	6.24	6.18	6.57
	OAT	8.500	04/03	111.8400	-0.640	6.80	6.79	7.11
GERMANY		6.750	04/03	101.1300	+0.560	6.58	6.67	6.87
ITALY		11.500	03/03	104.4450	+0.245	11.03†	11.34	12.18
JAPAN	No 119	4.800	06/99	103.2263	+0.023	4.13	4.14	4.41
	No 145	5.500	03/02	107.2928	-0.089	4.34	4.32	4.49
NETHERLANDS		7.000	02/03	103.8000	+0.190	6.44	6.44	6.71
SPAIN		10.300	06/02	100.3960	-0.574	10.22	10.12	10.77
UK GILTS		7.250	03/98	102-06	-2/32	6.70	6.80	7.08
		8.000	06/03	103-05	-4/32	7.54	7.58	8.02
		9.000	10/08	109-02	-3/32	7.96	8.01	8.40
US TREASURY *		6.250	02/03	103-08	-6/32	5.80	5.77	6.06
		7.125	02/23	105-15	-11/32	6.70	6.67	6.88
ECU (French Govt)		8.000	04/03	105.8800	-0.280	7.14	7.10	7.46

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Austria launches new bond contract

By Peter John

AUSTRIA will launch its first bond futures contract today, thus joining the growing number of national exchanges to increase liquidity with a debt derivatives market.

Vienna's OTOB futures exchange will begin trading contracts based on a basket of eight to 10-year maturities which reflects the method used by most of the big bond futures markets, including Germany.

Since the futures exchange began dealing index futures, stock options and index options nearly two years ago it had achieved turnover two to three times greater than the cash market, according to Mr Christian Imo, OTOB chief executive.

"The underlying bond market is four or five times the value of the stock market so we expect huge volume from the bond futures contract."

The first three contracts will have expiry dates in September, December and March of next year and be based on a notional bond with a 10-year maturity and a 7 per cent coupon. They will be traded by seven marketmakers – six domestic banks and Deutsche Bank (Austria). Five other banks will act as agent and principals.

Mr Wolfgang Lichtl, head trader at Credit Anstalt, one of the accredited marketmaker banks, said there was general enthusiasm for the contract but reservations over the cost. "My own opinion is that if it was cheaper, that might help liquidity."

The launch news helped a bond market already boosted by a surge in German debt prices. Buying pressure from overseas and position-building by domestic marketmakers ahead of the start of futures trading today sent the most recent 10-year 6.875 per cent Austrian government bond 0.35 higher to 100.50.

● Chase Manhattan Investment Services, part of the Chase Manhattan Bank group, has opened a retail investment office in New York City, Reuter reports from New York.

According to Chase, it is the only commercial bank offering this service.

Province of Ontario back with C$1.25bn issue

By Sara Webb

THE Province of Ontario returned to the international capital market with yet another large global bond offering yesterday, heading a list of new issues in the Canadian dollar sector.

INTERNATIONAL BONDS

Ontario, which has an AA2/AA credit rating, is a frequent borrower, and normally prefers to launch global US dollar or Canadian dollar deals.

Yesterday's much-heralded C$1.25bn, 10-year global bond issue was well-received, attracting interest from mainly institutional investors.

The bonds were re-offered at 98.125 giving a yield of 8.02 per cent. Merrill Lynch, the global co-ordinator, said the yield spread over the Canadian government bond narrowed from 70 to 69 basis points.

Last month, Ontario launched a US$2bn, seven-year global bond offering, and is over halfway through its 1993-94 borrowing requirement of C$10bn.

Two other borrowers took advantage of the investor demand to launch Canadian dollar deals yesterday. The Province of Quebec's water purification agency – Quebec Water – joined the torrent of issuers to raise C$125m in 10-year bonds.

The deal was priced to yield 80 basis points over the government bond, giving an annual yield of 8.29 per cent. The lead manager said the deal is orientated towards retail investors.

Meanwhile, the Kingdom of Denmark launched a C$200m, four-year deal which was thought to have been swapped given that there are reasonable swap opportunities at the shorter end of the curve.

The Eurosterling sector of the market continued to see plenty of activity, as dealers pointed out that domestic and overseas investors are eager to snap up sterling paper.

Ladbroke Group, the gaming and property group, launched a £125m, 10-year issue. The proceeds will be used to repay short-term bank debt, extending the group's debt maturity profile as a result.

Ladbroke does not have a credit rating, but BZW, the lead manager, said it looked at a recent Eurosterling issue from Forte as a guide to the price.

Forte, which is BAA1/A-, has bonds trading at a spread of 129-130 over the gilt. Ladbroke's bonds were priced to yield 127 basis points over the gilt, narrowing to 125 basis points over.

National Bank of Hungary made its debut in the Eurosterling market with a £100m, 10-year issue.

The bonds have a 10 per cent coupon and were priced to yield 260 basis points over the 8 per cent gilt due 2003, giving an overall yield of 10.13 per cent at the re-offer price.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Crédit Lyonnais(a)‡	250	(a)	99.7R	Jul.1998	0.225R	-	C.Lyonnais/G.Sachs/Lehman
Grupo IRSA(b)	50	8.375#	99.497R	Jul.1998	0.875R	+344½(5⅛-98)	Goldman Sachs Intl.
STERLING							
Ladbroke Group	125	8.875	99.083R	Aug.2003	0.425R	+127 (8%-03)	Barclays de Zoete Wedd
National Bank of Hungary	100	10	97.66R	Aug.2003	1.5R	+260 (8%-03)	JP Morgan Securities
FRENCH FRANCS							
Bank of Greece	1bn	7.5	99.355R	Aug.1998	0.4R	+140(9½%-98)	BNP/ Crédit Lyonnais
Soc. Gén. Acceptance(c)	500	6.18	99.5R	Aug.2001	1R	-37 (8½%-01)	Société Générale
CANADIAN DOLLARS							
Province of Ontario(d)	1.25bn	7.75#	98.125R	Dec.2003	0.35R	+70 (7½%-03)	Merrill Lynch Intl.(d)
Kingdom of Denmark	200	6.625	99.48R	Jul.1997	0.225R	+40 (6½%-96)	Kidder Peabody Intl.
SQAE	125	8.125	98.894R	Aug.2003	0.35R	+80 (7¼%-03)	ScotiaMcLeod
ITALIAN LIRA							
Osterreichische Postsparkasse	150bn	9.55	101.875	Aug.2003	2	-	BCI
DSL Bank	150bn	9.25	101.775	Aug.1998	1.875	-	Euromobiliare/JP Morgan
SWISS FRANCS							
CFD	125	4.375	102.25	Aug.1998	-	-	Credit Suisse
IADB(e)	100	4.75	101.75	Aug.2003	-	-	Credit Suisse
Immuno Finance(f)§	75	3.5	100	Aug.1998	-	-	UBS

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Issue launched on Wednesday was increased to $1.25bn. Coupon pays 3-month Libor + 0.3%. b) Issue launched on Wednesday was increased to $50m. c) Should the yield on the 8½% OAT due 2002 reach 10.5% the bonds are then puttable on 3/8/95 at 98½% and on 3/8/97 at 99% and on 3/8/99 at 99½%. d) Global issue. Merrill Lynch Intl. is global co-ordinator. It is joint book runner with Nomura Intl, RBC Dominion Secs. and Wood Gundy. e) Issue launched on Wednesday was increased to SFr600m. f) Each SFr5000 bond is convertible into 5 Immuno Intl. bearer shares at SFr950 each.

Taiwan opens way for foreign securities firms

By Dennis Engbarth in Taipei

THE Taiwan Securities and Exchange Commission is to relax entry conditions for foreign-based securities firms.

The move is aimed at attracting more foreign dealers to further internationalise and enliven Taiwan's stock market. This has a total share value of more than $110bn with over 260 companies listed.

Under the new rules, foreign securities investment firms will need NT$170m ($6.4m) to set up brokerages and engage in purchases on margins and short sales. The similar requirement for a local company is NT$200m.

Foreign dealers can begin operations with only NT$80m, again compared with the NT$200m capitalisation requirement for a prospective local dealer. A foreign-based underwriter requires NT$90m, according to the new rules.

The SEC said that any foreign company with representative offices in Taiwan for more than two years can apply to set up a branch.

Mr K. C. Chen, vice-president of Jardine Fleming Taiwan Investment Management, said the lowering of the capitalisation requirement for new dealerships "is the most attractive portion of the new rules".

He added that leading foreign brokerage firms, with higher commissions than local firms, had found it difficult to compete with local counterparts.

But Mr Chen said Jardine Fleming and other foreign underwriters were more competitive in underwriting because of their greater experience and technical expertise.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:55 pm on July 8

[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Belgium 5 99	75000	101⅝	101⅞	-⅛	4.70
Denmark 7 95	40000	105⅛	105⅜	-⅛	3.55
EIB 6⅝ 00	100000	110⅝	110⅞	-⅛	4.73
Elec de France 5⅝ 96	20000	104¾	105¼		4.05
Finland 6¾ 96	50000	105½	106¼	-⅛	4.16
Inter Amer Dev 7¼ 00	30000	113⅞	114⅛		4.82
Japan Dev Bk 5 99	100000	102⅞	103	-⅛	4.46
Japan Dev Bk 6½ 01	120000	111⅜	111⅝	-¼	4.79
Nippon Tel Tel 5⅞ 96	50000	106⅜	106⅝		3.73
Norway 5⅛ 95	50000	102½	102¾		3.60
SNCF 6¾ 00	30000	111	111¼	-⅛	4.77
Sweden 5⅜ 95	20000	103¾	104¼		3.82
World Bank 6¾ 00	50000	111½	111¾	-¼	4.70

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
Hawley Prel 6 02	84	6.72	100¼	101⅛	+16.15
Land Secs 6¾ 02 £	90	5.64	86⅝	87⅜	
Lasmo 7¾ 05 £	200	2332.6	98⅛	88⅛	+13.81
Mitsui Bank 2⅝ 03	100	2.283	100⅞	101¼	+76.44
Mount Isa Fin 6½ 97	85	38.077	93⅞	94⅞	+43.16
Ogden 6 02	90	1.775	131⅛	133⅝	+61.35
Smith Nephew 4 02 £	300	3508.9	94⅝	95⅞	+25.83
Sumitomo Bank 3⅛ 04	155	3.9	106¾	107⅝	+15.78
Sun Alliance 7¼ 08 £	200	2.51	116	117	+39.31
Tesco Capital 9 05 £	300	82⅞	101⅛	101⅞	+27.22
Texas Instruments 2¾ 02	103	7.16	130¾	131⅜	+3.18
Thorn EMI 5¾ 04 £					

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	38	27
Other Fixed Interest	1	2	12
Commercial, Industrial	255	246	907
Financial & Property	222	50	526
Oil & Gas	21	21	41
Plantations	1	0	7
Mines	30	49	60
Others	68	32	43
Totals	611	438	1,623

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
125	F.P.	-	132	120	AG Holdings	130		R5.25	1.9	5.0	11.6
100	F.P.	-	107	88	Anagen	90	+1	-	-	-	-
339	F.P.	-	358	356	Baring Chrysalis C	356		-	-	-	-
$10	F.P.	-	679	679	Baring Emrg Mkts	679		-	-	-	-
120	F.P.	-	133	131	Business Post	133	+1	L2.9	2.5	2.7	18.6

[illegible]

h Figures based on prospectus estimates. N Figures based on IMR 'Headline Earnings' draft proposals. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♣ Issued by way of rights. † Introduction. § Placing price. ✣ Unlisted securities market. pm Price at a premium.

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or -
62	Nil	4/8	10pm	5pm	Boxford	5pm	
350	Nil	27/8	69pm	52pm	English China Clays	69pm	+2
60	Nil	-	6pm	4pm	GBE	4½pm	-½
150	Nil	13/8	23pm	14pm	Gt Portland Ests	23pm	+6
133	Nil	11/8	24pm	17pm	Hardy Oil	17pm	
240	Nil	9/8	115pm	115pm	Hodder Headline	115pm	
320	Nil	9/8	82pm	65pm	Matthew Clark	82pm	
30	Nil	18/8	6pm	4pm	Moran Hldgs	6pm	+2
132	Nil	4/8	21pm	11pm	Norcros	11pm	-3
8½	Nil	13/8	2½pm	1pm	Satellite Speakman	1¼pm	-¼
460	Nil	10/8	79pm	49pm	Utd. Newspapers	49pm	-2
148	Nil	13/8	20pm	11pm	Wimpey (G)	14pm	+2

TRADITIONAL OPTIONS

● First Dealings June 28
● Last Dealings July 9
● Last Declarations Sept. 30
● For settlement Oct. 11

3-month call rate indications are shown in Saturday editions.
Calls in: BM Group, Cluff Res., Crown Eyeglass, Haemocell, Spring Ram, Waverley Mining. Puts in: Haemocell.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

July 8 Total Contracts 32,418
Calls 21,721 Puts 10,697
FT-SE Index Calls 2,953 Puts 2,495
Euro FT-SE Calls 2,505 Puts 1,335
*Underlying security price. † Long dated expiry mnths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES	Thu Jul 8	Day's change %	Wed Jul 7	Accrued interest	xd adj. 1993 to date
British Government					
1 Up to 5 years (25)	128.39	.....	128.39	1.84	5.94
2 5-15 years (23)	150.68	+0.03	150.63	2.35	6.65
3 Over 15 years (9)	163.54	+0.05	163.47	2.05	5.77
4 Irredeemables (6)	185.05	-0.01	185.07	1.52	7.35
5 All stocks (63)	146.48	+0.02	146.45	2.13	6.34
Index-Linked					
6 Up to 5 years (2)	185.98	-0.03	186.04	1.28	1.82
7 Over 5 years (11)	175.79	-0.06	175.90	0.82	2.62
8 All stocks (13)	176.04	-0.06	176.14	0.87	2.53
9 Debs & Loans (65)	133.35	-0.10	133.48	2.39	5.59

AVERAGE GROSS REDEMPTION YIELDS		Thu Jul 8	Wed Jul 7	Year ago (approx.)
British Government				
1 Low	5 years	6.79	6.78	8.19
2 Coupons	15 years	7.87	7.88	8.65
3 (0%-7¾%)	20 years	8.03	8.03	8.65
4 Medium	5 years	6.95	6.94	9.08
5 Coupons	15 years	7.97	7.97	8.88
6 (8%-10¾%)	20 years	8.08	8.08	8.85
7 High	5 years	7.13	7.13	9.30
8 Coupons	15 years	8.22	8.22	9.02
9 (11%-)	20 years	8.26	8.26	8.95
10 Irredeemables(Flat Yield)		8.18	8.17	8.96
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	2.93	2.91	4.03
12 Inflation rate 5%	Over 5 yrs.	3.51	3.51	4.32
13 Inflation rate 10%	Up to 5 yrs.	2.19	2.17	3.33
14 Inflation rate 10%	Over 5 yrs.	3.34	3.33	4.14
15 Debs &	5 years	8.09	8.06	10.39
16 Loans	15 years	8.93	8.92	10.19
17	25 years	9.11	9.09	10.07

Five Heron creditors challenge refinancing

By Maggie Urry

FIVE CREDITORS of Heron, Mr Gerald Ronson's property and trading group, have carried out a threat to challenge its refinancing proposals in the courts. They opposed an application to the UK courts to sanction the schemes.

Each side now has to file further evidence and a hearing is expected in the week beginning July 26. Heron had hoped that the schemes would be ratified by the end of this month.

The five, which together claim to be owed $42m (£28m) by Heron, are led by Mr Simon Shane, against whom Heron has filed a complaint in New York, alleging "breach of duties and obligations, fraud and negligent misrepresentation".

Heron said yesterday: "Mr Shane has a vested interest in attempting to interfere with Heron's restructuring thus forcing Heron into formal insolvency proceedings which would be to the detriment of creditors as a whole."

The proposals, involving the restructuring of Heron's £1.4bn of debt, were approved by large majorities of creditors at three meetings in the last two weeks. They have also been accepted by Heron's 82 banks. However, the schemes have to be ratified by the courts in the three jurisdictions where the creditors meetings were held.

Heron said that it was taking the legal intervention seriously, but felt that the courts would take account of the votes by creditors at the meetings. At the UK meeting, of those creditors who voted more than 80 per cent by value and 75 per cent by number were in favour. Mr Shane's legal representative spoke at that meeting, raising the issues which are now being put to the court.

The five creditors include First Eastern Developments, a Bermuda-based property consultancy headed by Mr Shane, and an associated company, Stratagem Development Corporation, which is suing Heron over a property development in New York. Heron is counter-claiming.

The five creditors said that the documents sent to creditors explaining the proposals gave insufficient information for creditors "to reach a decision on the merits of the schemes".

They also claimed the the proposals, which involve the issue of bonds representing senior and junior debt, could have "serious consequences for certain categories of US creditors" because the securities will not be registered in the US.

HSBC restructures in wake of Midland buy

By Norma Cohen, Investments Correspondent

HSBC Investment Banking Group, the investment banking businesses of Hongkong and Shanghai Bank, has established a holding company with roughly $1.2bn (£800m) in capital which draws disparate parts of the company into a single new unit.

The move is part of a reorganisation of the bank's businesses following its acquisition of Midland Bank last year. Mr Bernard Asher, chairman of HSBC Investment Banking, said: "This means that the things we set out to accomplish by the acquisition of Midland have been accomplished."

The ability of HSBC to exploit fully its Midland acquisition by achieving synergies between the disparate units has been questioned by some institutional shareholders and analysts. But Mr Asher said that HSBC had moved swiftly to achieve that.

Prior to the reorganisation, which has taken more than 10 months to achieve, HSBC had four separate investment banking and securities operations.

The four are James Capel and Co, the stockbroker, Samuel Montagu, European and US merchant bank, Wardley Group, a Hong Kong-based investment bank with activities throughout the world and HSBC Asset Management, which has total assets under management of $28bn, of which about 60 per cent is for retail and private clients.

Mr Asher said the purpose of the reorganisation was "cross fertilisation" allowing each unit to realise new commercial opportunities from business relationships in other units.

Peel Holdings advances 34% and shares rise 23p

By Ian Hamilton Fazey, Northern Correspondent

PEEL HOLDINGS, the property company, has defied the recession with a 34 per cent rise in pre-tax profits to £9.4m for the year to March 31, against £7.01m, on turnover down from £76.2m to £68.1m.

The shares rose 23p yesterday to close at 233p.

Fully diluted net assets per share of the company, which also controls the separately-listed Manchester Ship Canal, rose by 9p over the year to 315p.

After a tax charge this time of £2.1m, against a credit last time of £5.63m, earnings per share were 2.41p (8.01p). The board is recommending a final dividend of 3p, making a total for the year of 4p (3p).

The company attributed its ability to survive the recession to the sectoral diversity and geographical spread of its property portfolio and its ability to generate windfall profits from sale of dominant landholdings.

Mr John Whittaker, chairman, said: "There are now signs of improvement in the property market and it would be safe to assume the worst is now over."

At the year end shareholders' funds were up £1.52m at £303.5m and net borrowings were static at £336.1m (£335.1m). Gearing rose to 99.2 per cent, compared with 94.6 per cent.

Peel's confidence can be gauged from its voluntary cancellation of £50m of bank facilities last November and its intention to repay £75m to its consortium of bankers this November.

New facilities have recently been negotiated at £30m for up to three years and Peel is investigating taking on more fixed rate borrowings while the climate is favourable.

Property sales realised £56.53m at a profit of £3.38m, bringing the sales during the last three years to £265m in spite of recession.

Mr Whittaker said the sales had reduced debt, funded the acquisition of more of the Ship Canal and increase profits at a time when interest rates on variable borrowings exceeded relevant rental income. Peel's Ship Canal stake is now 82 per cent, bought mainly from Mr Whittaker's private family interests

Oversupply and weak demand in the office and industrial sectors meant fresh voids of £1.59m on unlet property more than offset new rental income of £1.26m. Mr Whittaker said total voids were "unacceptably high" at £6m, of which £1.7m is concentrated in Salford Quays, Greater Manchester's equivalent of London docklands.

Peel said there had been strong interest from leading retailers in the Trafford Centre, which it plans to build on 300 acres owned by the Ship Canal at Dumplington on the edge of Trafford Park.

Mr Whittaker said he was confident a High Court appeal by eight local authorities against planning permission for the centre would fail, as arguments about protecting existing town centre shops were a repeat of those at previous public inquiries.

Authority pension schemes win best returns

By Norma Cohen, Investments Correspondent

LOCAL Authority Superannuation Funds, the pension schemes of local authorities, earned significantly better returns on their assets in the year to March 31 than did other pension schemes.

According to the WM Company, a performance measurement service, local authorities earned total returns on average of 24.5 per cent for that 12 month period compared with returns for the industry as a whole of 23.3 per cent.

"The difference has occurred due to the better UK equity stock selection of local authority funds," WM Company said.

Of the 20 top performing funds, 18 had better than average stock selection, while all of the bottom 20 funds had lower than average stock selection. Thus, policy or asset mix have proved less significant to a fund's performance than the manager's ability to pick stocks.

The performance represents the best annual return for local authorities since the 1985-86 fiscal year. Among the funds, larger ones with assets of £500m or more outperformed the average in UK equities.

The return of 26.8 per cent was better than in any other size band and has been a consistent feature of large funds with better returns over five and 10 years. However, the ability to outperform in UK equities is not reflected in total assets.

The WM Company noted that the level of new money coming into local authority funds has fallen to its lowest level ever, partly reflecting the declining numbers of direct local authority employees.

Strong support for cask beers bolsters Greene King

By Roland Rudd

GREENE KING's strong advertising and promotional support for its cask beers helped increase trading profits from £25.3m to £26.8m in the year to May 2 on increased sales of £133.6m, compared with £128.6m.

However, after losses on property disposals, against profits, and a higher interest charge the pre-tax profit fell slightly from £30.3m to £20.1m.

Mr Simon Redman, chairman, said the trading performance for brewers in the south - east of England remained very difficult. He believed brands, such as Greene King IPA and Abbot Ale, should perform better as more buoyant conditions return.

Free trade business accounted for 56 per cent of volume sales. Bad debts rose from £1.8m to £2.1m, which Mr Redman said reflected the continuing difficulties of the recession.

A breakdown of trading profits showed wholesaling contributed £22.2m (£22.8m), retailing £8.75m (£8.18m), production and distribution £2.8m (£1.98m) and wine merchants £682,000 (£967,000). Central costs were little changed at £8.57m (£8.63m).

Mr Redman said he expected Butterfly Hotels, in which the brewer has a 35 per cent interest, to break even for the present year after reporting a loss in the year underreview.

Earnings per share fell from 36.1p to 35.4p. The proposed final dividend however, is raised to 8.6p (8.1p) making a total payment for the year of 12.3p (11.6p).

● COMMENT

It is not impossible to take over a brewer but there is a price to be paid. It is unlikely to be one that Mr Redman is willing to pay. Notwithstanding the fall in interest rates, reducing the carrying cost of its holding in Morland, Greene King would do well to sell its stake. This would enable it to concentrate on expanding the group organically. Mr Redman has already hinted as much, although he insists that all options remain open. Abbott and IPA are strong brands, which should perform better over the next year given their strong advertising and promotional support. With forecast pre-tax profits for the year of £22m, the shares are on a prospective multiple of 13.6, which is just ahead of the market sector's average.

Cleggs sell Anglo Irish stake

By Peter Pearse

THE 14.98 per cent Clegg family holding in Anglo Irish Bank Corporation has been sold by Mrs Jayne Wright for about £10.8m.

Mrs Wright is the half-sister of Mr John Clegg, once a director of the bank and the former managing director of Wace, the UK-based pre-press and specialist printing group.

Mr Clegg departed Wace suddenly as the DTI investigated share dealings, conducted in the name of some of his relatives, in Parkway, a Wace acquisition.

Mr Willie McAteer, Anglo Irish finance director, said there had been "no encouragement" to Mrs Wright to sell – indeed there had been no contact with the Clegg family for 12 months.

The shares had been bought by a number of Irish, UK and US institutions.

He said that in 1984 the family viewing the bank, then known as City of Dublin Bank, as undervalued, had bought a stake of about 17½ per cent. They had since subscribed for all their rights, not allowing the stake to dilute.

Mr McAteer said they had taken up their rights on 8m shares in this February's 1-for-1 issue at 46p. However, he did not know the cost of the original stake.

He added that it would not now be possible to acquire such stake.

In 1984 rules were imposed by the Central Bank of Ireland outlawing holdings of more than 10 per cent by individuals without approval.

He suggested that Mrs Wright had always been the owner of the shares and Mr Clegg was the stake's representative on the board.

Hanson drives jump in overseas acquisitions

By Catherine Milton

THE VOLUME of British companies' overseas acquisitions more than trebled to $9.9bn (£6.6bn) in the first half of 1993 from $3bn in the same period last year, according to KPMG Peat Marwick, the accountants and consultants.

The increase, which comes against the declining trend in continental Europe, was driven by Hanson's $3.2bn agreed bid for the US company Quantum Chemical.

Mr Richard Agutter, head of mergers and acquisitions at KPMG, said Britain was one of the first countries to enter recession, along with the US and Canada. The three countries then experienced a corresponding downturn in cross border M&A.

However, "in recent months each has shown some sign of recovery, although the indicators have been uncertain and have not been as consistent as we would wish for.

"The increase in acquisition activity in these countries does, however, demonstrate and add to the level of business confidence."

US purchases were up 39 per cent to $6.2bn ($4.5bn) and Canadian purchases leapt to $2bn ($599m).

Over the same period the recession in continental Europe has contributed to a 40 per cent fall in the volume of cross-border M&A world-wide, preliminary figures from KPMG's deal watch survey show.

Cross-border acquisitions worldwide amounted to $25.1bn ($42.2bn) in the first half.

French buying activity declined most sharply to $428m ($8.7bn).

Italian purchases also fell, held back by the criminal investigations into political and business corruption, but no values were disclosed.

NEWS DIGEST

Expansion at Gibbon Lyons

GIBBON LYONS, maker of printing inks and related products, finished the year ended March 31 1993 with a pre-tax profit of £1.41m, a rise of 75 per cent on the previous £806,000.

However, in the full accounts the profit will fall to £990,000 after writing off goodwill on the sale of Gibbon Marler bv. The shares rose 6p to 104p.

Mr Michael Gibbon, chairman, said the group continued to perform well in the second half, although there had been no significant improvement in trading conditions. Tight control of costs meant it could compete at reduced margins.

Turnover for the year showed little change at £23.1m (£22.8m). Earnings per share worked through at 9.4p (4.8p) and the final dividend is 3p for an unchanged total of 5p.

Diesel power helps AB Engineering

A strong recovery at its diesel power engineering division helped Associated British Engineering report a sharp increase in pre-tax profits from £35,000 to £216,000 in the 12 months to March 31.

This also marked an improvement from the halfway stage when the group declined into losses of £46,000.

Sales advanced 21 per cent to £41.5m (£34.2m).

Diesel power contributed profits of £149,000 against a £12,000 loss previously. Middle East operations increased their input to £635,000 (£543,000) and marine diesel spares and service put in £381,000 (£272,000).

However catering equipment suffered an increased loss of £366,000 (£141,000).

The dividend is maintained at 0.05p on earnings per share of 0.01p (losses 0.05p).

Stewart & Wight ahead to £372,000

Stewart & Wight, property investor, raised its pre-tax profit from £352,000 to £373,000 in the year ended March 31 1993.

Rental income improved to £419,000 (£400,000). In general, tenants have continued to keep up their rental commitments.

However, it was expected that income from the Bishopsgate property would be reduced considerably because of a number of the tenancies expiring this year.

Earnings per share came to 324.43p (299.04p) and the dividend is increased to 135p (120p).

Dewhurst rises but warns of slowdown

Dewhurst, maker of electrical products and control equipment, increased turnover 23 per cent and pre-tax profit 30 per cent in the half year ended March 28 1993.

However, the output of rail products was declining because of the delay of investment projects. Traditional markets remained depressed but a modest improvement was expected in full year profit over the previous £850,000.

Turnover for the period was £5.17m (£4.21m) and profit £404,000 (£310,000). Earnings came to 2.36p (1.85p) and the interim dividend is 0.66p (0.63p).

Torex Hire cuts interim losses

Torex Hire, the USM-quoted company which hires tools and catering equipment, reduced pre-tax losses from £290,000 to £139,000 in the six months to April 30. Turnover was little changed at £1.94m, against £1.92m.

Losses per share were 0.99p (2.06p) and there is again no interim dividend. Last year's single final was 0.4p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AB Engineering ....fin	0.05	Oct 1	0.05	0.05	0.05
Burtonwood Brew ....fin	3.98	Aug 20	3.75	4.68	4.45
Darby Group ....fin	nil	-	0.8	nil	2
Dewhurst ....int	0.66	Oct 4	0.63	-	1.89
First Spanish ....fin	7.8	Aug 26	5.75☆	7.8	5.75
Gibbon Lyons ....fin	3	Oct 1	3.9	5	5
Gold Greenlees ....fin	5†	Oct 29	5	8.3	8.3
Greene King ....fin	8.6	Aug 25	8.1	12.3	11.6
Hawtin ....int	0.25	Oct 4	-	-	0.89
Microgen ....int	2.2	Aug 20	2.2	-	7.25
Owners Abroad ....int	1.4	Oct 29	0.98	-	3.5
Peel Holdings ....fin	3	Oct 1	2	4	3
Stewart & Wight ....fin	135	Oct 28	120	135	120

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ☆ Adjusted for share consolidation.

EARNINGS IN THE FT

Readers of the FT's London Share Service pages will have started to notice a capital N against the names of some companies.

The N symbol means that the version of the company's earnings used in the FT's statistical calculations now follows the "headline earnings" formula devised by a subcommittee of the Institute for Investment Management and Research (IIMR) and proposed in draft form (still subject to final review) in early March.

This formula represents a broad consensus on the "single number" that should be used for UK companies' earnings under the Accounting Standards Board's Financial Reporting Standard 3.

The IIMR headline earnings formula emphasises a company's actual activities during the reporting period, including those activities which have been with the company only for part of the period. Key features are:

- All trading profits/losses are included in the earnings number. Items which are abnormal in size or nature are included but should be flagged.
- Profits and losses on the sale of fixed assets or of businesses should be excluded. This does not apply to assets acquired for resale, such as marketable securities.
- Profits and losses arising in activities discontinued at some point in the period, or in activities acquired at some point in the period, should remain in the earnings figure. Costs of eliminating a discontinued operation, or of making an acquisition, are excluded.

Further information on the FT's treatment of earnings is available from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

Microgen down and warns of year's shortfall

By Catherine Milton

SHARES IN Microgen Holdings fell 12p to 173p yesterday after the specialist computer services group reported first half pre-tax profits down 14 per cent and warned on current trading.

Mr Douglas Lee, chairman, said continuing economic uncertainties made it unlikely that trading in the second half would make up the reported shortfall. However, the core computer output microfilm (Com) business was seeing volumes stabilise.

Pre-tax profits were down from £4.37m to £3.76m for the period ended April 30 1993, while turnover rose to £26.1m (£25m).

The smaller electronic print division improved sales to £8.73m (£7.16m) partly on the back of higher revenue from new customised services.

Mr Lee said the group had been subject to intensified pressure on margins, particularly in the UK and Scandinavia where the recession continued.

This had been felt most strongly in the traditional Com business where reductions in revenues and profits had a significant impact on results.

The German company had "performed well", increasing turnover and profit by about 9 per cent in D-Mark and 30 per cent in sterling terms There was some evidence that the onset of recession in Germany would affect the Com business, but this should be offset by the growth in customised services.

Mr Lee said Microgen's planned development into a broadly-based provider of computer output management services continued.

Looking to the longer term he said the strategy was sound. Although it might take some time for this to show through in terms of progressive profit growth, strong evidence that confidence was well founded was provided by the underlying progress in revenue growth from the new services.

Since the half-year end the Scandinavian holding company had bought two computer output service businesses in Norway at a total cost of £1.76m. These will be integrated and make a first contribution in the next year.

At April 30 the net cash balance had increased to £3.56m (£2.48m). There was net interest received of £77,000, compared with payments of £57,000.

The interim dividend is maintained at 2.2p out of earnings per share down at 6.1p (7.1p).

French closure costs put Darby £2.8m in the red

By Catherine Milton

DARBY GROUP, the specialist glass maker currently traded on the London Stock Exchange Alternative Trading Service, has moved into a loss of £2.76m in the year ended February 28 1993 as the cost of closing the French operations hit hard.

The loss compared with a profit of £285,000. No dividend is being paid (2p total last time). Losses per share were 16.68p (earnings 2.51p).

Turnover fell to £17.6m (£17.9m), including a £3.97m contribution from discontinued operations.

Closure of Darby France accounted for £2.43m of pre-tax losses. Mr Michael Darby, chairman and chief executive, said the recession in continental Europe became increasingly severe during last year with the French market being particularly adversely affected."

He said selling prices and margins were squeezed and the group saw no improvement in industrial relations.

A further £177,000 was charged to profits to cover the costs of failing to establish a US market after a concerted effort since 1989. The group will continue exporting.

Mr Darby said continuing activities, now UK trading operations, would concentrate on manufacturing high value speciality products.

The second half was little different to the first, with very similar levels of profitability. That was encouraging, he said, since it was the first six month period for several years where there had not been a deterioration in UK business.

US side behind rise at Gold Greenlees

By Gary Mead, Marketing Correspondent

GOLD GREENLEES Trott, the advertising and marketing services group, yesterday reported pre-tax profits of £4.32m for the year to April 30, in line with analysts' expectations and up 6 per cent on the previous £4.09m which was after exceptional items.

Turnover increased 18 per cent to £275.4m (£234.1m). Operating profits were up by 13 per cent at £5.84m (£5.16m) and the final dividend is 5p on capital increased by the April rights issue, making an unchanged total of 8.3p for the year.

The group benefited from the beginning of the end of the recession in the US; GGT's US agencies last year accounted for some 60 per cent of the group's profits, up by about 10 per cent on the previous year. Gross profit from US subsidiaries was up by 21 per cent in dollar terms.

The group's £14.7m rights issue was 92.4 per cent taken up, and its joint venture with the GGK network of continental European advertising agencies last month will give it greater clout in pitching for pan-European accounts, according to Mr Mike Greenlees, GGT's chairman.

Mr Greenlees said the current year had started well for the group, with the Nationwide Building Society's £15m advertising account being one of its significant wins.

Earnings were down 5 per cent at 15.63p (16.49p), which the group said was due to an unusually low tax charge in 1992. Net profits were static at £3.21m. The group now has a net cash balance of about £5m.

Analysts are forecasting pre-tax profits of about £6m for the current year.

First Spanish net asset value falls

First Spanish Investment Trust reported net asset value of 71.5p at May 31, compared with 78.6p a year before.

Net revenue for the year to the end of May was ahead at £559,000 (£421,000) for earnings per share of 7.9p (5.95p).

The final proposed dividend is 7.8p, compared with 5.75p, restated for the share consolidation.

Looking to computer technology for growth

After centuries of papermaking, Portals sees a future in electronics, reports Paul Taylor

PORTALS has been producing banknote paper since 1712 when Henri de Portal, a French refugee, set up a paper mill in Hampshire. Twelve years later the company was supplying the Bank of England with its banknote paper, a contract which it still holds today.

After the first world war the Bank of England allowed Portals to manufacture paper for other banking and trade authorities and the group won its first foreign government contract in 1921.

This century the demand for security paper has been fuelled by monetary inflation, the emergence of post-colonial independent nations and most recently the break-up of the Soviet bloc.

Security papermaking, augmented more recently by other specialist papermaking activities such as teabag manufacturing, has proved an appropriately mature niche business, delivering a steady performance. Last year the division generated just over half of Portals' £194m turnover and 70 per cent of profits.

But since 1988, when Portals acquired the Paragon electrical engineering group and a new chief executive, Mr Michael Morley along with it, the management has looked increasingly to the emerging protection and control division to provide future growth.

This relatively new division groups together a handful of environmental services, engineering and computer technology businesses. It has grown quickly over the past five years although its profit contribution has lagged, mainly because of of Airol-Flaregas, the loss-making manufacturer of low-emission burners for the petrochemical industry which was finally sold in January.

That sale should enable Mr John Cope, a main-board director since September, to pursue the goal of turning the division, and the Portals Computer Technology businesses in particular, into Portals' "engine for growth".

Servalec, a small company based south of Sheffield, symbolises this aspiration. The company which employs 220 people, three-quarters of them engineers, provides its customers with highly sophisticated software products and fully integrated systems built around a core software package called "Scope", which runs on desktop computers and workstations.

Servalec's products "enable its customers to better control and manage their businesses", says Mr Cope, one of the company's founder shareholders.

That means not only providing them with the information tools to improve cost effectiveness and efficiency, but also enabling companies to meet the growing burden of legislative, environmental and safety requirements.

Servalec, which posted pre-tax profits of £1.96m (£1.56m) on turnover of £12.9m (£12.2m) last year, began in the late 1970s designing and building process control systems for British Steel – an industrial heritage which Mr Cope believes gives the small company a distinct advantage over some of its larger rivals which include Logica and EDS Scion.

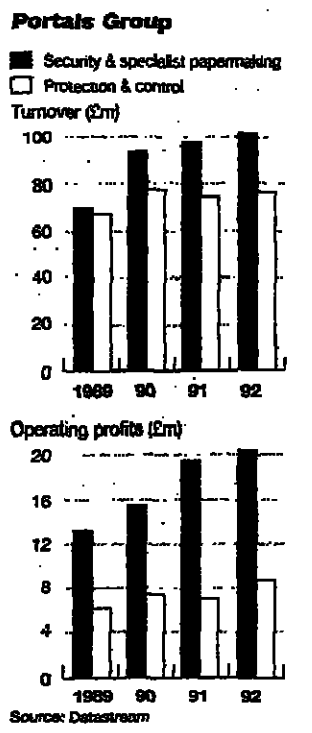
Since then it has substantially broadened its customer base to include many blue chip customers in the water, oil and gas, and food industries as well as those in more traditional industrial sectors.

John Cope: addressing the weakness in marketing skills

Building integrated systems around standard computer hardware platforms, together with specialised microprocessor-based equipment supplied by two smaller sister companies – Seprol and Technolog – Servalec has been particularly successful winning customers for its telemetry systems in the water industry.

All of the regional water authorities already have computer-based telemetry systems, which enable managers and supervisors to monitor and control remote sites like pumping stations or water treatment plants. However, the need to upgrade and refurbish these systems provides a continuing source of business.

More importantly in terms of growth, Servalec won a £2.8m contract last year from Anglia National Rivers Authority for a regional telemetry system which is integrated with a flood forecasting system. Other river authorities are expected to follow suit and some analysts, including Mr David McCrossan of Kleinwort Benson research, have estimated that this market alone could be worth between £50m and £100m over the next 10 years.



However Servalec's information gathering, control and analysis systems potentially have many other applications.

Under one new contract worth £3m the company is building a "supervisory control and data acquisition" system for the BBC which is designed to monitor automatically almost 400 transmitter sites throughout the UK.

The system contains predictive facilities to enable the BBC to anticipate technical, security and other problems at transmitter sites and take precautionary action.

Under another large contract Servalec is designing a replacement control and monitoring system which will cover all the main utility services – including the runway lights – at Heathrow airport.

Both Mr Cope and Mr Alan Gilby, Servalec's managing director, believe there is a substantial pent-up demand for systems which combine the features of traditional process control with management information systems. These can then be integrated with other computer-based systems like financial accounting and database systems to provide managers with a more comprehensive view of their business.

But by designing the system from bottom-up, rather than from top-down, Mr Cope insists Servalec can provide more effective products than many of its competitors.

However, he accepts that if Servalec has a weakness it is "in terms of our marketing skills." This, he says, is now being corrected.

Driven by recession-resistant factors like environmental and safety concerns, as well as the desire for greater efficiency, Mr Cope believes Servalec and Portals Computer Technology can deliver the kind of accelerated growth Portals is seeking to offset its maturing papermaking business.

Cellular Telecom late in filing accounts

By Peggy Hollinger

A COMPANY linked to family interests of Mr Clive Smith, the Midlands entrepreneur, and which shared directors with Alpine (Double Glazing), the windows company which recently collapsed, is more than two months late filing accounts.

Cellular Telecom Holdings, based at Maidenhead, retails airtime on the Vodafone and Cellnet networks. It was required by company law to have submitted audited accounts within seven months of its September 30 year-end.

However, the last filing was for the 18 months to the end of September 1991, when Cellular Telecom showed a pre-tax loss of £179,890 on sales of £11.5m.

In recent weeks the Bank of Scotland has lodged a charge over the assets of the company for "all moneys (sic) and liabilities (actual or contingent)" owed to the bank. In Cellular Telecom's last accounts, the Royal Bank of Scotland and Midland Bank were listed as its bankers.

Mr Marc Voulters, a partner of Cellular Telecom's auditors Casson Beckman, confirmed recently that the accounts were late. He said he expected they would now be filed within the next week or so.

Cellular Telecom is more than 55 per cent owned by offshore companies, according to the 1991 accounts, with a further 23.9 per cent held in nominee accounts. Two of the offshore companies – holding a total stake of 18.78 per cent – are beneficially owned by Mr Smith's two daughters.

The company has also shared two directors with Alpine (Double Glazing) – Mr Robert Pollock, chairman of the windows company and discharged bankrupt, and Mr James Berry. Mr Pollock said at a recent Alpine creditors' meeting that the windows group had provided a letter of financial support to Cellular Telecom for just under £300,000 in 1992.

Directors of Cellular Telecom have been unavailable for comment. However, early last month Mr Pollock and Mr Berry resigned from the company. Mr Pollock's contract, which provided for an annual salary of £60,000, ran until December 31 1993, after which six months notice was required for termination.

Monza House, the headquarters of Cellular Telecom in Maidenhead

Burtonwood Brewery lower with £3.5m

PRE-TAX profits dropped from £4.62m to £3.5m at Burtonwood Brewery in the year to March 31.

The Cheshire-based company pointed out, however, that the figures last time included property profits, and stripping those out, the trading results were 27 per cent ahead.

Turnover rose from £44.7m to £50.3m and beer volumes also improved 13 per cent.

A "significant impact" was made by the first full-year contribution from the 132 houses acquired on 25-year leases, the company said. A further 49 pubs had been acquired during the year.

Earnings per share were 12p (18.6p) and a proposed final dividend of 3.98p (3.75p) lifts the total to 4.68p (4.45p).

JOBS: How selecting people by paper qualifications can exclude those best fitted for the work

Immeasurable waste of human talent

RECRUITERS the world over should occasionally raise their glass to the memory of Heinrich Weber, saying "there but for the grace of God..."

While Weber never made much of a name in his chosen field of science, he is notable for a historic achievement. As head of the physics department at the Eidgenössische Technische Hochschule at Zurich in 1900, he took the lead in ensuring that of all his departing students who aspired to a full-time academic appointment, only one had his every application rejected.

That student was called Albert Einstein.

What distinguishes Weber from today's recruiters, of course, is not that he turned down an extremely able candidate. The present lot probably do likewise time and again. The difference is just that, in their case, the world rarely if ever comes to hear of it. *And one of the reasons is that* young people aren't even allowed to start in most types of well regarded work unless they have a certificate testifying to success in academic examinations.

More and more the minimum stipulation for entry is that they must be graduates, which remains the case regardless of wholesale graduate unemployment. While the possession of a degree might not be enough to win desirable jobs on offer, anybody who lacked one would simply never be considered.

Accordingly, most large employers nowadays would themselves turn down the 21-year-old Einstein. *Quite apart from the* fact that he studied at a technical college as opposed to a pukka university, what he emerged with was not a degree, but a non-graduate teacher's qualification.

The explanation for such daftness no doubt partly lies in the typically defensive attitude of company recruiters, which is probably the result of personnel managers' rarely having much political clout in their outfit. *Although they draw up the short*-lists of candidates, which one to appoint is usually decided by the boss the person will directly work for. Hence when recruits turn out well, the deciding bosses are apt to claim the credit.

Alas they don't seem nearly as keen to take the blame when appointments go wrong. Instead, it gets saddled on the recruitment staff, who could well end up in the dole queue unless they have a good excuse handy. Being aware that every appointment is a risk, and knowing there are few better excuses than being able to point to a failed recruit's impressive paper qualifications, they tend to *exclude from their shortlists any* contender without conventionally approved certificates.

But, to the Job's column's mind, a deeper reason for the daftness is widespread blindness, and seemingly not solely in Britain, to the distinction I wrote about two weeks ago. It is the distinction between the sort of knowledge required for success in academic exams on the one hand, and the type needed to do skilled work *on the other*.

As some of you present today may have been missing from the congregation a fortnight back, I had better once again summarise the difference between the two varieties of knowledge.

The exam-passing sort consists of two main elements. The first is factual-type knowledge: knowing *that* something is so. The other is scientific-style explanations of certain phenomena: knowing *why* they are so. Both of them might be lumped together as knowing *about* the topic in question.

The ability to do skilled work, however, depends decisively on knowing *how* – which I contend *is not the same thing at all.*

True, not everybody agrees with me, as protests from a dozen or so readers show. Although only one goes as far as to call the distinction "casuistic nonsense", most of them think that it does not apply to the type of skilled work which they consider most important to humanity: the type centrally *dependent* on the use of the mind.

In their view, such work is *done by a two-stage process. First* know-*thats* and know-*whys* of the sort developed by exam-focused education are used to think out what needs to be done, drawing up a step-by-step intellectual plan of the action needed. Stage two is to carry out the plan in practice.

Well, up to a point. I wouldn't deny that some forms of mentally centred work can be done in that way. No doubt they include aspects of the occupations with which some of the protesters identify themselves: the law, financial management, and in one instance corporate strategy.

But I feel sure that the same clearly does not apply in the case *of most kinds of such work*, and especially not those requiring innovative talents. Moreover, besides being untrue of the bulk of skilled jobs in industry and commerce, it does not apply to top-rank academic research work.

As evidence, I would cite the responses of some hundreds of expert people I have questioned over *the years on how they do* their job. As well as assorted managers and specialist staff in *business, they include academic* researchers ranging across varied sciences, engineering, economics, psychology and – yea – even unto philosophy.

With no more than a handful of exceptions, they denied they worked by first intellectually planning what they were going to do, and then acting in line with the mental blue-print. Their actual ways of operating were far less clear-cut.

Their typical first *explanation* was simply: "I do it by feel". Even after reflecting, most could *say nothing* clearer than that the thinking involved in their job is somehow embedded in the doing, and cannot be separated from it.

Far from being classifiable neatly into know-thats and know-whys, their skill depended on knowing *something-else-besides*, an intuitive faculty they could often express only by invoking the senses – an "eye" *for this*, a "nose" for that...a feel.

What is abundantly clear, *however, is that know-how* differs from know-*about*. And oddly enough, recalling the example of Einstein, the contrast was best depicted by a physicist, John Adkins of Cambridge University.

Just as the bachelor-level degrees based on know-that and know-why are no longer enough to win a desirable job, he thinks, they aren't a sufficient *grounding* for academic research work in the subject concerned. Even of the people so good at learning about physics as to gain first-class honours, *for instance, only* a minority go on to *do* physics with any significant result.

By *the reverse* token, does he think there could be people with the talent to do physics, but short on ability to learn about it?

"I'd certainly say so. The things that are needed to get a good degree are not the same things that are needed for success in research. A good memory is less important, for example, whereas *the patience to perform* repetitive tasks with vigilance and fine accuracy is much more so. *First-class* honours graduates often find them too boring to bear, but they are essential to preparing the mind for research."

There seems no reason, he adds, why people should be unable to become physicists by starting with an apprenticeship in such routine procedures, and acquiring the necessary know-about as *they go along. The only* trouble, of course, is that such talents will never have the *chance to be developed as long as* educational conventions insist that exam-passing, no matter *how inessential*, must come first.

Michael Dixon

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CITY

AGE 23-27

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ICI

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Please apply in writing to Miss Amanda Anderson, Personnel Officer, Head Office Personnel, ICI Group Headquarters, 9 Millbank, London SW1P 3JF, by Wednesday 14th July 1993.

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ACCOUNTANCY COLUMN

Broad-brush approach for a truer picture

Andrew Jack on the final version of the ASB's operating and financial review formula

ACCOUNTANCY IS not often compared with painting, but David Tweedie is in an expansive mood as he unveils the latest document from the Accounting Standards Board.

"We've said that this is a broad canvass," says Tweedie, chairman of the ASB, referring to conversations held in recent months with companies. "Now you paint away. We're keen that managements say what they like."

The final version of the operating and financial review (OFR), released yesterday, extends the paint brushes and palette expectantly towards British companies in the hope that they will use them constructively and creatively.

The OFR is loosely based on the management discussion and analysis (MD & A) with which US companies' accounts must comply. More specifically, the ASB sees its own version as an attempt to emulate what it believes is existing best practice among British companies but also believes it to be far less legalistic than its trans-Atlantic counterpart.

The aim is to describe corporate performance, with analysis and a balance of good and bad while providing some element of a projection of the business into the future.

Like most good artistic work, the OFR has been months in fruition. The previous discussion draft was produced in April last year. Since then, the ASB has been busily attempting to build consensus around its contents.

The delay was partly the result of careful discussions with bodies such as the 100 Group of leading finance directors, the Association of British Insurers, the National Association of Pension Funds and the Institute of Investment Management and Research.

The 15-page statement is unusual in many respects differing from the normal accounting standards document. First, it is far more comprehensible to the lay reader than most of its predecessors. Technical words crop up far less frequently.

That is to be expected, since the aim is to provide guidance which will lead to equally non-technical reports from companies. The OFR is intended to appeal to less knowledgeable readers, at a time when the accounts themselves are becoming more and more complex.

"We're looking for words, not for detailed numbers," says Simon Peerless, the ASB's project director for the OFR. Adds Tweedie: "I suspect this is the thing that private shareholders will read. It will also be useful for analysts."

He points out that while many company directors are complaining that FRS 3, the new standard on the profit and loss account, does not provide a fair portrayal of their performance, the OFR will give them the chance to describe their company's position in the way they want.

The statement will provide much of the information that interests analysts too, which may be a necessary outlet at a time when informal City briefings are coming under attack by the Stock Exchange because of the risk of passing on inside information. It may, as a result, threaten analysts' position.

It will also provide a convenient ground in which companies can describe the state of their internal controls and whether they believe they are "going concerns" as required by the Cadbury committee on corporate governance.

A second difference from normal accounting standards is that the OFR is not prescriptive. Unlike most ASB documents, it does not attempt to pounce on ambiguity in existing rules; nor, unlike other recent publications, does it even include examples to indicate the intention or the spirit rather than the letter of the standards-setters.

The aim is to describe corporate performance, with analysis and a balance of good and bad while providing some element of projection of the business into the future

"We wanted to let many flowers bloom," says Tweedie, extending the metaphor. "We felt that if we provided too much explanation it would kill experimentation. This is not mandatory. We would rather have a much more free-flowing document."

Equally, unlike other standards there is no deadline for compliance. Tweedie hopes the OFR is out in time for some financial year-ends in the autumn, and certainly for many more for the start of next year.

That is partly explained by a third difference: the OFR is outside the ASB's formal remit, which is to guide those areas within the statutory accounts at the back of annual reports. "If it is a standard rather than a statement then we have got to have a locus to do it," says Tweedie.

That raises several difficulties. Most important is how far companies will comply, without the pressure of standards and the threat of the Financial Reporting Review Panel. There is not even the requirement for scrutiny of the statement by the auditors – unless there are any grave contradictions with the financial information in the accounts.

All that exists is an unusual endorsement at the start of the OFR: a "commendation" from the 100 Group, the Financial Reporting Council and the Stock Exchange "in the interests of good financial reporting".

Tweedie argues that peer pressure will gradually persuade companies to comply, dragging the more recalcitrant executives into line with their more open, loquacious rivals.

He points out that about two-thirds of FTSE-100 companies already provide some form of operating review in their annual reports, and cites examples of existing good practice such as from Shell.

Some companies are likely to grumble that even if a picture is worth a thousand words, when it comes to the OFR it is only a complement for a few of the many numbers in the accounts. They will be concerned about the time and cost in producing lengthy statements to describe their performance.

But Tweedie argues that most companies should already know most of the information they will be asked to provide and that the length of the typical OFR might only been 10-12 pages even for the most complex businesses.

More significant, there will be concern over confidentiality. Smaller companies and those with a single product are likely to feel particularly vulnerable to providing information that might provide too much sensitive detail to their competitors.

The ASB provides a let-out: that they should say when they exclude this information for this reason. It also suggests that they highlight any changes in expenditure on particular items, rather than providing any specific, absolute numbers.

Nigel Stapleton, finance director of Reed Elsevier, and chairman of the technical committee of the 100 Group, says: "I think the power of best practice will be a very potent force and people will want to be seen complying".

But how likely is it that companies – especially those which have something to hide – will provide ammunition to their critics by highlighting negative information on their performance and their weaknesses? Says Tweedie: "It's going to be an interesting test of management freedom."

He can only hope that the pictures they paint will be more at home in the National Gallery than the Tate; more representational and classical than they are impressionistic and abstract.

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Group Financial Controller

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▪ Our client is an acquisitive and highly profitable group in the engineering sector with current turnover exceeding £37m and growing. As a result of expansion and obtaining a full listing on the Stock Exchange, there is a requirement to strengthen its head office function through the recruitment of a Group Financial Controller.

▪ Reporting to the Group Finance Director, and liaising with operating unit finance staff and general management, the position offers an excellent entrée into the commercial sector for a bright, commercially minded chartered accountant, likely to be currently employed within a Big 6 practice. The position will have responsibility for the preparation of monthly consolidation packs for presentation to the Board, much of the group accounting work, including the preparation of the statutory accounts and additionally play a key part in the annual strategic planning and budgeting process.

▪ Candidates, likely age 27/32, should be able to demonstrate a broad range of consolidation experience gained within practice, and ideally have had exposure to PLC reporting requirements as well as to clients in the manufacturing sector. You must be computer literate and will be expected to operate with a high degree of commitment and professionalism, with the potential to develop with the business as it grows organically and by acquisition.

▪ Please write enclosing a detailed curriculum vitae with salary details and quoting reference CA465 to Carrie Andrews, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

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Major International Group

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A key member of a small team based in the London headquarters, the Tax Manager will be responsible for the tax affairs of a number of the subsidiary companies. He or she will work on a broad range of issues at group and subsidiary level, including complex projects which may have both UK and international implications. Success in the role and the Manager's high profile within the group should lead to further responsibility.

Likely to be aged around 30, applicants, preferably graduate qualified accountants, must have relevant tax experience gained in the profession or commerce. International experience would be particularly useful and excellent communication skills are essential.

Please write, enclosing a career/salary history and daytime telephone number, to David Hogg FCA quoting reference H/74/F.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 071-405 3499

OPERATIONS CONTROLLER

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This organisation has clearly established itself as a market leader in the provision of a comprehensive range of building engineering services, including design, management, installation, commissioning and facilities management in addition to a wider range of ancillary and related services. Operating throughout the UK and Internationally as part of a larger group of companies, it is now poised to compound on its achievements to date and to further strengthen its overall position in the marketplace.

An important feature of its management structure has been the influence and impact that finance has with a particular emphasis on contract profitability and cost control in addition to providing a significant financial input to a range of other operational and strategic issues.

In order to further strengthen the breadth and depth of expertise within the area of Group Finance, the organisation is now keen to recruit an individual who will be responsible for developing and implementing a number of initiatives designed to control significant projects on both a pre and post contract basis throughout the UK.

As a newly created role, the position will require the intellectual and perceptive attributes of a highly motivated individual able, on occasions, to cut through red tape, allied to proven analytical and financial acumen gained from within an international engineering services environment.

As a qualified Accountant, ideally aged 35-40, you should demonstrate exceptional operational and financial skills. You should have a "hands on" and forceful approach to management, be able to contribute objectively to a range of business driven issues and be willing to travel extensively.

The position offers a unique opportunity to add real value to the management team and will provide every prospect of further career advancement within the Group.

*Interested candidates should send a full Curriculum Vitae to **Charles Austin** at the address below, quoting reference CA441.*

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Group Financial Controller

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Our client is a well established manufacturing Group with an enviable reputation for quality and service amongst its high profile customer base. The company has increased its market share despite the difficult economic climate and following a sustained period of profitability is well poised to expand its operations across a number of markets.

Recent restructuring has led the company to seek a qualified accountant for the new role of Group Financial Controller. Key responsibilities will include: compilation of financial and statutory information; refining existing financial systems and controls to bring reporting into line with the needs of the current business; development of sophisticated MIS in order to provide senior management with the pertinent information to manage a growing business in an increasingly competitive market place.

The successful candidate will be a graduate qualified accountant, probably aged in their 30s, with a minimum of three years post qualification experience gained in a large manufacturing environment. Exposure to sophisticated computer systems and familiarity with strict reporting cycles is essential. You will possess strong interpersonal skills coupled with a persuasive management style and the ability to influence and manage change. In return our client offers an excellent salary package and opportunities for the future limited only by personal ability.

Interested candidates should send a comprehensive CV to **Karan Paige** at **Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL. Please quote ref 155580.**

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A recently qualified ACA is sought, with strong communication skills and a "team player" attitude. Suitable individuals will currently be in a Big 6 firm and have financial services clients, or alternatively will be an internal auditor in another bank.

*Please contact **Robert Macmillan** or **Jennifer Ogden** on **071-629 4463** (evenings/weekends **081-767 9087**).*

Unsolicited CV's from agencies sent directly to Credit Suisse will be forwarded to Harrison Willis for inclusion within the screening process.

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Business Strategy Executive

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With the future in mind, a special project team has been established and is embarking on a major review of the business, a key part of which is the evaluation of alternative corporate structures and investment strategies.

To support this project, an individual with a proven track record in financial analysis and business strategies is required.

The essential technical prerequisites are:

- Experience in creative problem solving in the context of financial restructuring.
- Proven track record and successful execution of either or all of restructuring, acquisition and/or flotations.
- Experience in assessing substantial capital investment decisions.
- Experience in dealing with professional advisors and City institutions.
- A high degree of analytical skills and competence in financial modelling.

As a qualified accountant/MBA you will have large company and multi-industry experience. Aged between 25 and 40, you must be able to work on your own initiative but at the same time possess excellent interpersonal and negotiation skills to influence key business decisions.

It is envisaged that the appointment will be for a minimum of two years, with the prospect of a permanent position. In return, a competitive salary and benefits are offered.

Interested candidates should write to **Joe Graham BA CA, Executive Selection Division, Michael Page Finance, 29 St Augustines Parade, Bristol, BS1 4UL.**

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Finance Director

Beds **c £35,000 + Bonus + FX Car**

Our client is a progressive and expanding £6m turnover manufacturer of capital equipment for the food and consumer goods industry. The company is a division of a highly successful and acquisitive international manufacturing PLC with a market capitalisation of £90m. In order to strengthen its management team, our client wishes to appoint a Finance Director, who is both commercial and able to take a 'hands-on' approach to finance issues. Specific responsibilities will include:

- Managing and developing a streamlined finance function.
- Close liaison with the Managing Director in commercial and financial decision making.
- Developing management information systems.
- Defining accurate pricing structures.
- Budgeting, forecasting and planning.
- Cash management.
- Functional reporting to group finance.

The successful candidate will be a qualified computer literate accountant who can demonstrate a strong track record involving the effective management of change in manufacturing (preferably capital equipment) industry. Personal qualities will include determination, drive, effective communication skills and commercial acumen. In return, the company offers real career potential and generous incentivised remuneration for this rewarding development role.

Interested candidates should write enclosing full curriculum vitae to **David Head** at **Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA.**

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BRE

Finance Director

c.£40,000 + Bonus (more may be available for an exceptional candidate) Home Counties

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THE POSITION
- Newly created position at Board level. Significant strategic input with remit to take forward cultural change.
- Full responsibility for financial and management accounting, budgeting and systems development. Report to Chief Executive.
- Manage a team of 40 through 4 direct reports. Advise and support non-financial managers.

QUALIFICATIONS
- Commercial Accountant with senior financial control, systems and management experience, ideally from a tightly controlled group.
- Confident administrator with excellent interpersonal skills.
- First class communicator. Ability to motivate staff and provide clear leadership in a multi-functional department.

Please send full cv, stating salary,
Reference M2451
NBS, 54 Jermyn Street, London SW1Y 6LX

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Group Financial Controller

Major International plc

Outstanding Package North West

This market-leading manufacturing group requires an experienced financial controller, strong on analysis and interpretation, to drive its financial reporting and control systems.

THE COMPANY
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- Worldwide manufacturing operations. Reputation for innovative product development and technical edge. Considerable investment in R&D.
- Commitment to profitable growth organically and through acquisition.

THE POSITION
- Full responsibility at Group level for accounting and control. Report to Group Finance Director.
- Major challenge to radically overhaul group financial systems and procedures. Provide outstanding consolidation, interpretation and analysis service.
- Form close, proactive relationships with Main Board and operating company management.

QUALIFICATIONS
- Qualified Accountant; experience in major manufacturing group; strong on controls, consolidation, analysis and comment.
- Enjoyment of and eye for detail; ability to work to tight deadlines; meticulous, persistent and loyal
- A team player with well-developed leadership skills; high level of technical competence; probably mid 40s.

Please send full cv, stating salary, Ref MM2661
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- Work closely with corporate finance as required.

QUALIFICATIONS
- Successful analyst/strategist either within corporate strategy, financial control or treasury in UK manufacturing industry, or management accounting/consultancy experience.
- Accounting qualification preferred. Thorough and rigorous analytical mind. Able to write in depth and commercially aware.
- Team player, good communicator and profit driven. Ambitious for success. Age 27-35.

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Financial Operations Manager

Manufacturing

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- Considerable investment in people development.

THE POSITION
- Upgrade the financial operations of the business to provide efficient and effective support to the business.
- Develop and consolidate effective financial controls.
- Support improved financial management through accurate and relevant information and proactive management style.
- Lead and motivate large team.

QUALIFICATIONS
- 5-10 years post qualification experience in substantial multi-site manufacture organisation.
- Hands-on role in specifying and implementing financial reporting systems.
- Mature, influential, resilient. Probably aged 30+. Managed change and developed people.

Please send full cv, stating salary, Ref MM2552
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This is an exciting opportunity for an ambitious newly qualified Chartered Accountant to take responsibility for our UK tax affairs, ensuring that our tax liabilities are minimised and that the Group's returns are compiled and filed to schedule.

Reporting directly to the Group Financial Accountant, you would be responsible for certain of the Group's central accounting functions: you would also be expected to contribute accurate forecasts and efficient taxation strategies to the Group's forward business planning and to advise our operating units on all tax related matters, including VAT.

To be considered you should be fully qualified, with a practical working knowledge of corporate taxation, gained ideally from working in a leading Professional Practice. Confident, ambitious and hard working, you must also be a good organiser, capable of gaining the professional respect of colleagues and managers throughout the Group.

This influential role offers career prospects and commands a salary package which includes profit share, medical insurance, relocation assistance and company pension scheme.

To apply, please send your CV with covering letter to Julie Price, Personnel Department, HP Bulmer Limited, The Cider Mills, Plough Lane, Hereford HR4 0LE.

HP BULMER

Financial and Systems Controller

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A key member of the Board of Management, you will prepare and use financial management and performance measurement information to drive forward the development of the business. You will also be responsible for the company's IT strategy and the preparation, measurement and interpretation of plans and forecasts.

Probably looking for your first senior management role, you should have three to five years' post-ACA qualification experience together with a high level of proven financial and business leadership skills. A team player, you will be able to challenge traditional practices, develop new approaches and have the interpersonal and persuasive abilities to lead change from the front. A knowledge of LAN-based computer systems is essential.

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Similarly, excellent PC skills are essential to your success, while experience of the financial services market would be advantageous.

On a personal level, you must have the drive and power of expression to see your tax planning initiatives through, supported by the confidence to take accountability for them.

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Please write enclosing your CV to Maureen Callan, Fidelity Investments, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.

Fidelity Investments

Financial Controller

c.£30,000 + Car + Bonus + Benefits Midlands

Our client is the European division of a highly successful US multinational providing High Technology solutions to major corporate clients throughout the UK and Europe.

Reporting to the Managing Director and a member of the senior management team, responsibilities of the role will include assisting in the production of budgets and financial accounts, ensuring that senior management receive timely and accurate financial information and managing the administration functions, with a key role in helping to improve operating performance.

The successful candidate is likely to be aged between 28-35 with at least five years post qualification experience with a proven track record of achievement. Stature, confidence, well developed management and interpersonal skills and commercial awareness are essential pre-requisites.

To apply, please send your detailed curriculum vitae to Paul Johnstone, Sullivan Johnstone Associates Limited, 9, Cork Street, London W1X 1PD. Telephone 071-287 1363.

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CAMBRIDGE c £26,000 + BENEFITS + SHARE OPTIONS

Financial Controller

With a market capitalisation of £60 million following its recent highly successful flotation on the London Stock Exchange, this small but rapidly growing biotechnology company is now well placed to exploit the revolutionary potential of its unique products within the international market place. The potential worldwide market for these products is estimated to be in the region of £4 billion per annum.

To cope with this anticipated expansion plan, the Company now seek a Financial Controller who, reporting to the Finance Director, will be responsible for all day to day accounting matters whilst controlling a small but highly motivated team. In addition, you will play a major part in the development of appropriate systems and controls to support the rapid growth of the business.

A qualified graduate accountant, ideally you will have had two years post qualification experience gained in a progressive industrial/commercial organisation or within the profession. An enthusiastic individual and a good team player with a hands on approach, you should possess strong analytical and people management skills coupled with the appropriate interpersonal skills to manage and withstand the rigours of a business enjoying dynamic growth.

Please send full personal and career details including current remuneration level and daytime telephone number, in strict confidence to Angela McDermottroe, Coopers & Lybrand Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB quoting reference 271AM on both envelope and letter.

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LONDON £35,000 - £40,000 + GENEROUS SHARE OPTIONS + CAR ALLOWANCE + BENEFITS

Financial Controller (Europe) Pharmaceuticals

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Reporting to the Managing Director of the European subsidiary, you will assume full responsibility for all European finance matters and, as part of a small, dynamic team, play a key role in the strategic development of the operation. Particular emphasis will be in the areas of financial and tax planning and budgeting, standard costing, European-wide product pricing and transfer pricing. In addition you will be responsible for distribution logistics for the Company's products through which you will obtain valuable commercial experience.

This challenging position calls for a creative, entrepreneurial, technically capable graduate qualified accountant, probably in the age range 30 to 40, who can demonstrate an excellent track record of achievement to date most likely in a pharmaceutical environment. A self-starter who is highly motivated to work and be rewarded as part of a professional team, you should have a good understanding of the intricacies of international transfer pricing and of US accounting requirements. A highly commercial individual you must have the drive and ambition to significantly contribute to the building of what is potentially a substantial business and participate in its success.

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Experience of large organisations, the introduction of new accounting and control systems and change management will be an advantage.

The appointment will be for an initial three years, with the possibility of further extension.

For further details and an application form (to be returned by 22 July, 1993) write to Recruitment & Assessment Services, Alencon Link, Basingstoke, Hampshire RG21 1JB or telephone Basingstoke (0256) 468551. Please quote Ref. B/1941.

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You will probably be aged 28-40 years with an accounting qualification and commercial experience with financial accounting systems and competent skills in the use of Lotus 1 2 3 and/or Excel spreadsheets.

Please write in confidence, enclosing a CV to Michael Paul, Director, PWG Vintners (Europe) Limited, 12 King Street, Richmond, Surrey TW9 1ND.

Penfolds

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Technical factors fuel copper surge

By Kenneth Gooding, Mining Correspondent

COPPER'S PRICE burst back to 90 cents a lb on the London Metal Exchange yesterday, boosted by technical and options-related factors that encouraged buying by commodity funds.

Defying its poor fundamental situation – the copper market seems likely to record a substantial supply surplus this year – the metal has bounced back by nearly $300 a tonne or 17 per cent since early May to close last night in London at $1,997.50.

This followed market turmoil in April when the price collapsed from 98 cents a lb to a 5½-year low of 78 cents, a descent so swift that it caused severe financial losses at several LME trading houses.

At present copper was "being driven by brilliant technicals", said one trader yesterday. Options activity pointed to "potentially an explosive situation", he added.

Dealers suggested that, in spite of China's attempts to slow its over-heating economy, Chinese trading houses were still taking 20,000 to 30,000 tonnes of copper a month from LME warehouses in Rotterdam, which would help to account for the recent fall in the exchange's warehouse stock levels from 456,125 tonnes reached in late-June – a 15-year peak.

Mr William Adams, analyst at Rudolf Wolff, part of the Noranda natural resources group, said it was difficult to justify present copper prices. But producers had for the time being stopped selling forward, perhaps waiting for the price to go to $2,000. Sentiment was helped yesterday by news that Codelco, the state-owned Chilean group, was to buy 60,000 tonnes of copper cathode during the rest of this year to meet sales commitments.

London cocoa trading up 84 per cent in June

By Our Commodities Staff

A SURGE of activity in the cocoa market helped to lift June trading volume at the London Futures and Options Exchange by nearly 40 per cent compared with the same month last year.

The exchange's 19 contracts traded a total of 337,513 lots during the month, London Clearing House figures show. That was up from 241,517 lots in the same contracts in June 1992.

Cocoa market turnover in June amounted to 222,691 lots, up 84 per cent from the same month last year. Cocoa options volume was up 74.7 per cent at 5,612 lots.

In contrast, turnover in the depressed robusta coffee futures market was down 13.3 per cent at 60,432 lots, but coffee options turnover was 32.3 per cent higher at 12,046 lots.

There was a marginal increase in white sugar trading, which totalled 27,250 lots compared with 26,080 lots in June 1992.

Total LCE turnover in the first half of the year was 1.65m, up 12.2 per cent on January-June 1992.

The exchange reverted to being called the London Commodity Exchange on July 1.

Sri Lankan tea sector shows clear signs of recovery

Privatisation has enhanced the estates' efficiency and increased production, writes Mervyn de Silva

AFTER LAST year's exceptionally poor performance, Sri Lanka's tea industry is showing clear signs of recovery.

While annual production in the recent past has regularly exceeded 200m kg, only 178m kg was produced in 1992, about 62m kg less than in 1991. The first six months' production this year suggests, however, that total output should reach 225m kg or slightly more.

A severe drought, the first phase of privatisation and its accompanying dislocations, disruption of the former Soviet and Iraqi markets and sporadic labour unrest resulted in a revenue loss of more than US$80m. Nevertheless, the government and the tea trade expect Sri Lanka to retain its traditional position as the largest exporter of tea.

The prospects for 1993 are "quite bright" according to one broker, while the trade speaks of the government's adoption of a new sales strategy.

One of the most noteworthy achievements of the assassinated President Premadasa was the step-by-step privatisation of the plantations.

Before independence the tea estates were owned by "sterling" companies, all London-based and run by British planters with the help of several hundred thousand Tamil workers brought from South India, now Tamil Nadu. Thus, the Kandyan (hill country) Sinhalese peasantry were ousted from their traditional lands to make way for cheap indentured Indian labour.

The alien presence in the island's heartland soon became an explosive political issue. Mrs Sirimavo Bandaranaike, the first Sinhalese leader from the Kandyan hill-country to become prime minister, signed two agreements with India for the repatriation of 500,000 Indian Tamils. Her Marxist minister of plantation industries in the United Front party that took office in 1970 went a step further. He nationalised the tea, rubber and coconut estates and placed them under two state corporations.

President Premadasa played a different game. The leader of the powerful trade union controlling estate labour, Mr S. Thondaman became one of Mr Premadasa's most trusted allies. When the International Monetary Fund and the World Bank insisted on the re-structuring of the planation corporations, which were running at a loss, Mr Premadasa could rely on Mr Thondaman to accede to a compromise formula that the IMF and the bank also reluctantly accepted, under which the estates were not be returned to their previous owners but given to 22 management companies.

"The management companies have increased production by better supervision of estates run down by the two corporations," says a senior official. "But the answer is not increased yields but adjusting to new consumer tastes and becoming more competitive. The Sri Lanka name is still an advantage but we have to move rapidly to CTC [cut, tear and curl] teas" he adds. "We have to sell tea like they sell Coca Cola."

The Ministry of Plantations and the Tea Board hope to increase production of CTC teas to 40m kg, or 20 per cent of total production by 1995 and to more than 100m kg by the year 2000.

According to the tea trade there was overproduction in 1991 and now surplus stocks with packers and importing countries are exhausted or quite thin. The need to give higher priority to CTC, says a well-known tea planter, is now more urgent "because consumers in two of our major markets, Egypt and Pakistan are showing an increased preference for CTC". Another worry is competition from Georgia, Vietnam and Turkey. The planter suggests Sri Lanka should establish a few "instant tea plants" with foreign collaboration, with the fast-growing US market in mind.

In 1992, Sri Lanka's major buyers were Iran (24m kg, mainly bulk), Jordan (21.7m kg, mainly packets) Egypt (17m kg, mainly bulk), Syria (14.4m kg, mainly bulk). Saudi Arabia (11.2m kg, mainly packets) and the UK (10.9m kg, mainly bulk). The Scandinavian countries, Libya, Japan and Pakistan bought between 5m and 7m kg each.

The re-appearance of the former Soviet Union as a buyer has heartened the tea trade. The hard currency payments are made through a series of intermediaries, including agents in Israel, "as if the deal was handled by the KGB", observed Mr Ananda Pieris, a local tea broker.

Caribbean commodity problems forecast to continue

Canute James on a report underlining the uncertainties surrounding the region's economic outlook

COMMODITY exporting countries in the English-speaking Caribbean have been warned that they will continue to suffer from the problems of weak prices and uncertain access to markets that affected output last year.

The Caribbean Development Bank, in its report on the region's economic performance last year, concluded that, although some countries and some commodities had done better in 1992, there was still cause for concern over continued preferential markets for sugar and bananas and weak prices for bauxite and oil.

The Barbados-based bank, which provides loans for 17 members in the region, has resources of US$847m. Its major contributors are the US, Canada, the UK, France, and Germany.

Although three sugar producers reported reduced output, overall production by the CDB's borrowing members grew 8.6 per cent last year to 747,000 tonnes. There was increased production by Trinidad and Tobago, St Kitts-Nevis and Guyana, with the last improving by 52 per cent.

The bank said Guyana's improvement, which was despite industrial unrest, was mainly the result of the restructuring of the state-owned industry. Booker Tate of Britain is managing the industry under contract from the government.

"Guyana, for the first time in five years, was able to meet its domestic requirements, in addition to fulfilling its international contractual obligations," the bank reported. After defaulting on export quota commitments to the EC and the US Guyana met these in full in 1992.

Sugar production declined last year in Belize, Barbados and Jamaica, and the bank said this was caused by several factors including poor weather, labour disputes, and weak export market prices. The bank said the region's industry was hit last year by a cut in the US quota that saw its members' combined access falling from 70,702 tonnes the previous year to 63,231 tonnes.

The bank warned its members about the effects of future cuts by the US, saying: "More sugar will have to be sold on the world market, at prices which are substantially below the preferential prices for sales to Europe and the United States."

It reported that banana production by its members recovered last year following a "disappointing" performance in the previous year. More favourable weather contributed to the improvement, with exports growing by 18.7 per cent to 381,000 tonnes.

The improvement was more marked in the Windward Islands (St Lucia, St Vincent, Dominica and Grenada) where exports expanded by 23 per cent. "In some countries, performance in value terms was somewhat dampened by weak prices associated with reported declines in the overall quality of fruit, and the depreciation of the pound sterling in the fourth quarter of 1992," the bank said. The region's currencies are pegged to the US dollar.

The CDB warned, however, that there were still dark clouds over the region's banana industry because of the possible loss of preferences on the European Community market. A new EC regime, guaranteeing access of Caribbean bananas, will be implemented on July 1, but is being challenged by Latin American producers.

The bank said the possible loss of preferences was a "serious threat to regional producers, particularly the Windward Islands where banana exports account for as much as 60 per cent of export earnings".

Bauxite production by the bank's members – Jamaica and Guyana – fell 5 per cent last year to 12.3m tonnes. "World market prices for aluminium weakened in response to declining demand associated with the fragile economic recovery in the industrial countries, increased exports from Europe, changes in manufacturing technology and the disintegration of the Soviet bloc," the report explained.

The reduction was most marked in Guyana where 1992 output fell 30 per cent below the 1.3m tonnes of the previous year.

Regional crude oil production in 1992 fell 5.6 per cent to 50m barrels, the bank said. Trinidad and Tobago, the main producer, reported output of 49.5m barrels, while Barbadian production rose 5.3 per cent to 478,800 barrels.

Grenada, the world's second largest producer of nutmeg, after Indonesia, recorded an 11.2 per cent decline in production in 1992, to 2,235 tonnes. "The problem is related to low advance payments to farmers which caused them not to reap the nutmeg on time in 1992, and the break-up in 1991 of the Soviet Union, a major market for the product," the CDB reported.

Shephard calls for action on fish stocks

By David Blackwell

INTERNATIONAL action is needed to conserve world fish stocks, the House of Commons Agriculture Committee was told yesterday.

"Unless that common action is taken there will be no fish for anyone to fish, no jobs for any fishermen and there will be no security for any fishermen's families," said Mrs Gillian Shephard, the agriculture minister.

Late on Wednesday night Mr Michael Jack, fisheries minister, announced that the government was postponing the introduction of limits on the number of days that could be spent at sea by fishing vessels from October until January 1 next year. This will allow further time for consultations with the fishing industry, which has fiercely opposed restrictions on days at sea.

Mr Jack also confirmed that £25m would be available for a decommissioning scheme to reduce the size of the British fleet over the next three years. The closing date for applications has been put back to the end of this month.

Yesterday Mr Jack told the committee that the ministry had already received more than 100 applications for decommissioning, which had the potential to reduce the UK catch by 5 per cent or more.

He also told the committee that there had been much misunderstanding throughout the industry on the plans to restrict the number of days at sea. It would not mean that some vessels would get only 80 days at sea, as some fishermen claimed. "We have a task to explain our policy better," he said.

Mrs Shephard said that the government would be spending £50m a year on decommissioning, policing and research in the fishing industry when the total value of the UK catch was £400m. By any standards, she said, that had to be regarded as generous.

Guatemalan tobacco growers fear US import curb

By Edward Orlebar in Guatemala City

A BILL in the US congress that would restrict domestic cigarette manufacturers to using a maximum of 25 per cent of imported tobacco, is threatening to cripple Guatemala's tobacco industry, according to producers here.

The Bill which is still in committee stage, is part of President Bill Clinton's $500bn deficit reduction package, and is expected to be voted on in the next few weeks.

Guatemala's influential private sector umbrella group, Cacif, has written to the US congress complaining that the proposal would violate the Generalised Agreement on Tariffs and Trade and goes against the spirit of the Caribbean Basin Initiative, a unilateral trade benefit granted by the US.

The Central American republic exports mainly Burley tobacco, 70 per cent of which goes to the US without trade restrictions. Tobacco exports are expected to reach 15,200 tonnes this year, worth about $70m. This follows a sharp increase in planting over 1992, when the Bank of Guatemala recorded exports of $28.8m.

For blending purposes US manufacturers require a 15 per cent mix of Turkish tobacco, which means countries who only produce Burley and Virginia tobacco will be forced to compete for the remaining 10 per cent of US manufacturing needs, say exporters here. The US currently imports more than 40 per cent of its tobacco requirements.

In Guatemala tobacco supports 140,000 people, mostly on the hot, flat lands along the southern Pacific Coast, according to an industry official.

"If the Bill goes through, it will put us out of business," warns Mr Francis Carlow, manager of Tabacalera Nacional, a subsidiary of British American Tobacco, which has been operating in Guatemala since 1928. BAT is the Central American republic's largest tobacco exporter, accounting for 40 per cent of shipments to the US. Mr Carlow says that US manufacturers will probably turn to larger, cheaper, lower quality suppliers to rationalise reduced import requirements.

The Guatemalan government has yet to respond officially to the proposed measure. But Mrs Irma Luz Toledo Peñate, the acting economy minister says that Guatemala is working on a response together with Honduras, another Central American producer.

She says the Guatemalan government will consider adopting retaliatory measures if a negotiated compromise is not found. Apples, chicken, and textiles have been mooted as possible areas were restrictions might be imposed.

But a US embassy official in Guatemala City plays down the significance of the Bill. He says the local industry is exaggerating its production figures and claims that tobacco exporters had told him six weeks ago that they were expecting a 25 per cent drop in exports during 1993.

WORLD COMMODITIES PRICES

MARKET REPORT

August Brent **CRUDE OIL** fell through the contract low at $16.65 a barrel on the IPE and in late trading was $16.52. The last time the near-month Brent futures contract traded below $16.65 was when it reached an intra-day low on February 26 1991 at $16.50. Traders said crude oil was pushed over the edge after locals began selling heavily when August WTI crude futures on Nymex crashed through long term support at $17.85 a barrel. The fall came while talks between Iraq and the UN on conditions that would allow Iraq to sell $1.6bn of oil over a six-month period were in session.

One New York broker said the market now suspected Iraq would be allowed to sell oil at a time when Opec was producing above its ceiling. "The market looks awful. We have new lows for two years...If the headlines come out that Iraq is allowed to sell oil, it will dump a dollar. It's frightening. It looks so bearish." **GOLD** and **SILVER** drifted lower in the afternoon on the London bullion market as disappointment over gold's failure to break through $400 a troy ounce in the morning encouraged mild profit-taking. Gold closed at $395.45, up $1.45 on the day.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Aug)		+ or -
Dubai	$14.34-4.40	-.205
Brent Blend (dated)	$16.53-6.58	-.325
Brent Blend (Aug)	$16.58-6.61	-.325
W.T.I (1 pm est)	$17.69-7.71	-0.29
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$197-199	-1
Gas Oil	$161-162	-2
Heavy Fuel Oil	$60-62	
Naphtha	$170-172	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$395.45	+1.45
Silver (per troy oz)♣	508.5c	
Platinum (per troy oz)	$408.00	+1.75
Palladium (per troy oz)	$139.00	-1
Copper (US Producer)	91.00c	+0.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.72m	+0.02
Tin (New York)	235.5c	+4
Zinc (US Prime Western)	62.00c	
Cattle (live weight)†	141.44	-1.22*
Sheep (live weight)†♠	102.05p	-5.94*
Pigs (live weight)†	82.55p	-3.16*
London daily sugar (raw)	$275.70	-2
London daily sugar (white)	$276.00	-1
Tate and Lyle export price	£298.00	-0.5
Barley (English feed)	£108.0t	
Maize (US No. 3 yellow)	£168.5	
Wheat (US Dark Northern)	£147.0u	
Rubber (Aug)♥	58.50p	
Rubber (Sep)♥	59.00p	
Rubber (KL RSS No 1 Jul)	207.5m	
Coconut oil (Philippines)§	$455.0v	-5
Palm Oil (Malaysian)§	$367.5t	+2.5
Copra (Philippines)§	$297.5u	+2.5
Soyabeans (US)	£211.0y	+2
Cotton "A" Index	57.05c	
Wooltops (64s Super)	352p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Sep/Oct u-Jul t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Aug	276.00	275.80	277.50 275.50
Oct	272.00	272.30	273.60 271.00
Dec	272.00	-	273.50 272.00
Mar	272.70	273.00	274.30 272.10

White 1624 (1488) Paris- White (FFr per tonne): Aug 1601.62 Oct 1592.90

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	16.54	16.91	16.98 16.50
Sep	16.70	17.02	17.09 16.66
Oct	16.89	17.23	17.26 16.89
Nov	17.11	17.38	17.40 17.10
Dec	17.30	17.56	17.59 17.28
Jan	17.74	17.66	17.74
Feb	17.83	17.79	17.83
IPE Index	16.94	17.07	

Turnover 30256 (35920)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jul	159.50	161.25	162.00 159.50
Aug	159.00	161.25	161.75 158.50
Sep	160.50	162.75	163.00 160.50
Oct	163.50	165.25	165.75 163.50
Nov	165.50	167.00	168.00 165.50
Dec	168.25	169.00	169.50 168.00
Jan	168.75	170.25	170.75 168.75
Feb	168.75	169.75	169.50 168.75

Turnover 20574 (12894) lots of 100 tonnes

FRUIT & VEGETABLES

Galia melons at 70-80p each (90p-£1.20). Honeydews at 65-75p each (80p-£1.00) and watermelons at £1.50-2.00 each (£1.50-2.00) are this week's best fruit buy reports the FFVIB. Soft fruit is now in season with strawberries at 99p-£1.20 a lb punnet (99p-£1.20). gooseberries at 50-60p a lb (50-60p) and raspberries at £1.60-1.80 a lb (£1.60-1.80). English broccoli at 65-85p a lb (75-85p) and broad beans at 25-35p a lb (30-40p) are good vegetable buys. Worth looking out for among the salads are cucumber at 50-70p each (50-65p). Spring onions at 35-40p a bunch (35-40p) and iceberg lettuce at 50-60p a head (45-55p).

COCOA – LCE £/tonne

	Close	Previous	High/Low
Jul	740	737	740 736
Sep	747	746	750 744
Dec	753	752	756 750
Mar	768	764	768 763
May	777	776	777 773
Jul	787	787	789 784
Sep	797	798	800 798
Dec	812	814	818 811
Mar	827	832	836 827
May	837	847	849 837

Turnover: 13317 (7938) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 8 755.83 (761.27) 10 day average for Jul 8 735.35 (732.90)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Jul	943	952	950 943
Sep	972	980	981 963
Nov	978	978	985 966
Jan	976	976	983 966
Mar	978	976	979 965
May	982	976	982 963

Turnover: 2878 (3978) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 7 Comp. daily 59.78 (60.33) 15 day average 55.72 (55.42)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	95.1	92.8	95.1 93.5

Turnover 109 (58) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Dec	173.00	-	173.00

Turnover 25 (0) lots of 20 tonnes.

FREIGHT – LCE $10/Index point

	Close	Previous	High/Low
Jul	1268	1267	1275 1260
Aug	1240	1247	1250 1240
Sep	1263	1271	1275 1250
Oct	1305	1310	1315 1290
Nov	1322	1318	1322 1318
Jan	1330	1338	1350 1330
Apr	1397	1445	1410 1395
Jul	1240	1240	1240 1230
BFI	1393	1410	

Turnover 312 (600)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Nov	108.35	107.80	108.35 108.20
Jan	110.80	110.35	110.80 110.65
Mar	112.90	112.25	112.90
May	115.10	114.60	115.10
Barley	**Close**	**Previous**	**High/Low**
Sep	104.30	-	104.30 104.00
Nov	106.65	106.20	106.75 106.60
Jan	109.15	108.65	109.25 109.15
Mar	111.00	110.50	111.00

Turnover: Wheat 280 (212), Barley 48 (31). Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	110.5	109.8	110.5
Aug	103.9	103.8	104.0103.9
Oct	105.5	105.0	105.5
Nov	105.5	105.5	105.5

Turnover:30 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 35,482 lots
Cash	1226.5-7.5	1216-7		1215-6		
3 months	1250-1	1240.5-1.0	1251/1237	1238.5-8.0	1242-3	229,090 lots
Copper, Grade A ($ per tonne)						Total daily turnover 88,204 lots
Cash	1987-9	1946.5-7.5	1964/1962	1964-5	1994-5	
3 months	1997-8	1956-7	1989/1971	1975-6	1994-5	238,328 lots
Lead ($ per tonne)						Total daily turnover 4,060 lots
Cash	385-6	378.5-9.5		378.5-9.0		
3 months	399-400	393-4	400/393	392.5-3.0	400-1	22,447 lots
Nickel ($ per tonne)						Total daily turnover 5,434 lots
Cash	5200-10	5195-205		5190-5		
3 months	5260-5	5250-5	5270/5210	5245-50	5260-5	49,835 lots
Tin ($ per tonne)						Total daily turnover 967 lots
Cash	5055-65	4965-70		4965-70		
3 months	5110-20	5022-4	5120/5015	5030-5	5100-20	10,472 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,479 lots
Cash	926-7	914-5	919	919-20		
3 months	943-4	931-2	948/935	934-5	946-7	73,621 lots

LME Closing £/$ rate:
SPOT: 1.4955 3 months: 1.4859 6 months: 1.4773 9 months: 1.4706

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	395.20-395.70	
Opening	398.10-398.60	
Morning fix	398.40	266.310
Afternoon fix	395.20	264.401
Day's high	398.80-399.30	
Day's low	393.25-393.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.46	6 months	2.51
2 months	2.50	12 months	2.54
3 months	2.50		

Silver fix	p/troy oz	US cts equiv
Spot	342.05	511.50
3 months	346.90	518.30
6 months	351.45	519.35
12 months	360.80	528.60

GOLD COINS

	$ price	£ equivalent
Krugerrand	398.00-399.00	265.00-267.00
Maple leaf	408.80-409.35	-
New Sovereign	94.00-97.00	62.00-64.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1225	42	65	30	38
1250	30	52	42	50
1275	21	41	58	63
Copper (Grade A)	**Calls**		**Puts**	
1900	132	146	32	53
1950	100	115	50	73
2000	73	90	73	97
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	131	134	3	10
900	87	96	9	22
950	52	65	24	41
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	38	54	18	33
750	24	41	29	45
775	15	32	45	61
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1700	9	45	25	63
1750		24		
1800		10		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	394.9	397.0	0	0
Aug	395.6	397.8	397.0	394.0
Sep	396.6	398.8	396.5	395.5
Oct	397.7	399.9	398.0	395.9
Dec	399.7	401.9	401.2	398.0
Feb	401.4	403.6	401.6	400.7
Apr	403.1	405.3	404.2	403.1
Jun	404.8	407.0	405.6	402.0
Aug	406.6	408.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Latest	Previous	High/Low	
Jul	408.0	409.7	409.0	409.0
Oct	410.5	411.8	413.0	408.5
Jan	409.0	412.3	413.5	409.0
Apr	412.0	412.8	412.5	410.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	505.1	510.0	510.0	504.0
Aug	506.3	511.3	0	0
Sep	507.8	512.8	514.5	505.5
Dec	513.2	518.3	519.5	511.0
Jan	513.8	518.9	0	0
Mar	518.2	523.3	524.0	518.5
May	522.1	527.2	527.0	521.5
Jul	525.8	530.7	528.0	527.0
Sep	529.4	534.5	0	0
Dec	535.1	540.2	538.5	538.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	89.00	88.05	89.30	88.30
Aug	89.30	88.30	89.35	89.30
Sep	89.65	88.65	89.90	88.70
Oct	89.70	88.70	0	0
Nov	89.70	88.75	0	0
Dec	89.70	88.80	89.90	88.80
Jan	89.70	88.85	89.75	89.75
Feb	89.75	88.90	0	0
Mar	89.80	89.00	89.85	89.10
Apr	89.80	89.05	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	17.80	18.02	18.12	17.55
Sep	17.85	18.31	18.42	17.85
Oct	18.15	18.54	18.60	18.12
Nov	18.35	18.75	18.77	18.35
Dec	18.61	18.94	18.97	18.61
Jan	18.79	19.10	19.07	18.79
Feb	18.99	19.20	19.25	18.99
Mar	19.08	19.28	19.30	19.06
Apr	19.20	19.34	19.36	19.18
May	19.27	19.40	19.42	19.27

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	49.55	50.63	50.75	49.55
Sep	50.65	51.65	51.75	50.60
Oct	52.00	52.75	52.80	51.85
Nov	53.05	53.90	53.95	53.05
Dec	54.15	55.00	55.20	54.10
Jan	55.25	55.85	56.10	55.20
Feb	55.80	56.05	56.40	55.65
Mar	54.80	55.20	55.50	54.80
Apr	54.05	54.25	54.60	54.20
May	53.35	53.35	54.10	53.35

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	934	960	948	939
Sep	963	974	980	958
Dec	989	1000	1003	985
Mar	1014	1025	1028	1011
May	1035	1046	1043	1036
Jul	1057	1068	1065	1060
Sep	1078	1089	1082	1082
Dec	1104	1115	1105	1105
Mar	1125	1136	1133	1130
May	1143	1154	1148	1148

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	69.90	69.00	69.40	68.25
Sep	70.35	69.75	71.35	68.25
Dec	72.50	71.95	73.50	71.00
Mar	74.60	74.00	75.70	73.50
May	76.10	75.70	77.00	76.20
Jul	77.70	77.30	77.50	77.50
Sep	79.30	78.90	0	0
Dec	82.00	81.70	83.00	82.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	10.55	10.66	10.66	10.54
Mar	10.46	10.62	10.62	10.44
May	10.43	10.59	10.55	10.43
Jul	10.30	10.45	10.44	10.30
Oct	10.20	10.32	10.20	10.20

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	54.75	56.19	55.90	54.35
Oct	57.35	57.25	57.40	56.75
Dec	57.98	57.75	58.00	57.48
Mar	58.95	58.77	58.96	58.50
May	59.63	59.35	59.50	59.35
Jul	60.13	59.75	0	0
Oct	60.85	60.60	0	0
Dec	60.65	60.55	60.30	60.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	122.85	122.25	123.50	120.75
Sep	125.80	125.25	126.75	123.50
Nov	127.70	127.45	128.50	125.75
Jan	129.00	128.50	129.80	127.25
Mar	130.55	130.10	130.00	128.75
May	132.45	132.95	132.00	131.00
Jul	132.90	132.95	132.00	132.00
Sep	131.95	131.95	0	0
Nov	131.95	131.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jul 8	Jul 7	mnth ago	yr ago
1702.1	1705.6	1657.1	1553.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul 7	Jul 6	mnth ago	yr ago
Spot	125.49	125.83	120.57	116.09
Futures	127.22	126.82	121.11	118.76

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	700/6	706/6	710/0	695/0
Aug	703/4	709/6	714/0	697/0
Sep	705/6	712/6	716/6	700/0
Nov	709/0	715/0	719/0	701/0
Jan	710/4	718/2	720/0	705/0
Mar	714/4	717/4	720/4	708/4
May	714/4	717/4	718/0	705/0
Jul	714/0	718/0	720/0	707/0
Aug	700/4	696/0	702/0	695/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	24.75	24.85	24.95	24.47
Aug	24.73	24.97	25.15	24.55
Sep	24.83	25.08	25.25	24.71
Oct	24.93	25.25	25.40	24.87
Dec	25.20	25.47	25.70	25.05
Jan	25.20	25.45	25.68	25.10
Mar	25.20	25.50	25.70	25.15
May	25.20	25.47	25.70	25.20
Jul	25.18	25.47	25.70	25.15
Aug	25.20	25.47	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	220.9	221.9	223.0	217.5
Aug	220.5	220.9	222.6	217.0
Sep	221.2	221.2	222.8	217.2
Oct	221.0	221.7	223.0	218.2
Dec	222.3	223.5	225.5	219.0
Jan	221.0	222.9	224.0	218.5
Mar	220.3	221.2	223.2	218.5
May	219.0	221.0	221.0	215.0
Jul	215.5	218.5	218.0	215.0
Aug	213.5	218.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	235/4	240/2	239/4	235/2
Sep	242/6	247/6	247/4	242/2
Dec	252/6	257/6	257/4	252/2
Mar	259/0	264/0	263/2	258/4
May	262/6	268/2	267/4	262/4
Jul	263/2	269/0	267/0	263/0
Sep	253/0	256/4	256/0	253/0
Dec	249/4	252/6	252/4	248/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	302/2	305/4	309/0	302/0
Sep	303/6	305/4	310/4	303/0
Dec	314/4	316/4	320/4	314/0
Mar	320/6	319/0	324/0	320/0
May	320/0	319/0	321/4	317/0
Jul	310/4	311/0	312/0	309/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	75.275	74.925	75.475	74.400
Oct	75.625	75.075	75.700	74.775
Dec	76.525	75.900	76.650	75.700
Feb	76.125	75.475	76.200	75.300
Apr	77.200	76.575	77.200	76.350
Jun	73.850	73.400	74.100	73.350
Aug	72.900	72.350	72.900	72.450

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	48.525	48.775	48.750	48.350
Aug	47.600	47.950	47.900	47.325
Oct	43.725	44.125	44.050	43.550
Dec	44.550	44.750	44.925	44.350
Feb	44.750	45.150	45.050	44.700
Apr	43.500	43.725	43.800	43.450
Jun	49.075	49.300	49.325	49.000
Jul	48.850	48.850	49.000	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	37.450	37.275	37.600	36.850
Aug	36.300	36.100	36.700	35.825
Feb	46.050	46.475	46.550	45.600
Mar	45.300	45.900	45.800	45.250
May	47.000	47.000	47.100	47.000
Jul	44.850	43.600	45.600	0
Aug	46.000	46.000	0	0

LONDON STOCK EXCHANGE

Switching operation upsets equities

By Steve Thompson

LONDON'S equity market refused stubbornly to build on Wednesday's late rally and ended a difficult day marginally lower on balance amid ominous rumours that a number of the big international institutions had been switching funds out of UK equities and into German equities and bonds.

The two markets were easily the top performers in the world, with dealers in London still taking the view that there is scope for further interest rate cuts in the near future.

The German market's latest burst of strength was said to have been the catalyst for a good showing by French equities. London, however, struggled throughout the day, with dealers increasingly suspicious that a series of hefty selling programmes in London could have represented the shift of funds from the UK to the Continent.

"There is no doubt that there has been some big selling of the leaders, via the cash market and the futures, and the story is that the cash is moving out to Germany," said one leading London dealer. There were also rumours circulating in London of further big rights issues in the pipeline, although there were no obvious candidates being put forward yesterday.

The FT-SE 100 Index, which staged a good rally late on Wednesday, made a promising start to the session, opening some three points higher at 2,851.3 in spite of intermittent bouts of profit-taking, and moved up to touch the day's highest level of 2,855.7 for a rise of 7.4 as the morning session drew to a close.

Afternoon trading, however, brought a complete reversal in sentiment in London, with the FT-SE 100 future coming under pressure and the underlying market embarking on a gradual decline which saw the Footsie fall to the day's low of 2,842.2. Wall Street's strong opening performance failed to prevent the late slide in UK share prices. A flurry of bear closing in the last few minutes of the trading session saw the index end a difficult day a net 2.4 off at 2,845.9.

The FT-SE Mid 250 Index performed much better than the senior index, closing 6.5 higher at 3,226.4, indicating, according to dealers, that institutions had carried out their initial switching via the highly liquid blue chip stocks. A similar reaction in the second-liners is expected shortly.

Equity market specialists pointed out that the shift in sentiment in the market, and the sudden turnround, was accompanied by a sharp increase in volumes in the market.

Turnover yesterday was 577.6m shares, almost matching Wednesday's 586m and ahead of Tuesday's 554.3m and Monday's dismal 384m. The value of customer business on Wednesday moved back above £1bn, the level at which London's securities industry is seen to move into profitability. On the first two trading days this week turnover reached £761m and £960m respectively.

A dismal day for the leisure sector began with a profits warning from EuroDisney, prompting a big slide in the shares, and ended with a disastrous statement from Owners Abroad, which only survived a takeover attempt from fellow holiday company Airtours last March by the narrowest of margins. Talk in the market last night suggested deep unease over Owners' tactics in fending off the Airtours bid.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group†	4,800	61¼	-½	De La Rue†	170	650	-8	MB Caradon†	922	282	-2	Siebe†	186	483	+3
Abbey National†	3,100	422	+6	Dixons	5,700	196		MEPC	1,000	426	+15	Slough Ests	1,000	217	+3
Albert Fisher	1,300	84	+1	Eastern Elect.	1,000	493		MFI	2,200	125		Smith (W.H.) A	1,300	437	-2
Allied-Lyons†	3,900	541	+2	East Midland Elect.	430	470	+2	Manweb	721	548	+3	Smith & Nephew†	2,400	142¾	-1½
Anglian Water†	1,400	484	-1	Eng China Clays	395	420	+1	Marks & Spencer†	4,000	336	+½	SmKl Beecham†	1,200	432	-4
Argos	385	303	+1	Enterprise Oil†	704	457	-6	Midlands Elect.	184	468		SmKl Beecham Uts.†	505	381	-3
Argyll Group†	3,900	314	+1	Eurotunnel Units	195	412	+2	Morrison (Wm.)	1,200	134	+2	Smiths Inds.	410	371	+6
Arjo Wiggins†	1,300	170	-3	FKI	233	139	-1	NFC†	[illegible]	250	-1	Southern Elect.	1,300	487	-3
Ass. Brit. Foods†	187	478		Fisons	2,200	178	-2	NatWest Bank†	3,400	493	+5½	South Wales Elect.	534	555	-3
Ass. Brit. Ports	161	405	+1	Foreign & Col. I.T.	181	227½	-½	National Power†	1,900	382	-5	South West Water	280	506	
BAA†	721	720	-3	Forte†	8,800	222	-4	Next	3,200	168		South West. Elect.	280	500	-1
BAT Inds.†	3,600	411	-3	Gen. Accident†	307	633	+3	North West Water†	681	488	-1	Southern Water	787	486	
BET	4,800	115½	+½	[illegible]				[illegible]				[illegible]			
[illegible]				[illegible]				[illegible]				[illegible]			
Bowater†	2,000	464	-4	[illegible]				[illegible]				[illegible]			
Brit. Aerospace†	2,000	402	+3	Harrisons Crosfield	1,100	179	+2	Redland†	1,400	485	-1	Trafalgar House	4,100	102	
British Airways†	3,800	297	-10	Hillsdown	1,700	143	+2	Reed Intl.†	576	658	+6	Unigate	737	350	-2
British Gas†	10,000	291½	-3½	IMI	402	274	-4	Rentokil†	1,100	205	-4	Unilever†	2,000	1012	+6
British Land	2,100	382	+4	ICI†	2,700	641	-2	Reuters†	461	1,388	-20	United Biscuits†	654	370	-4
British Steel†	3,200	89¾	-2	Inchcape†	1,700	543	-2	Rolls Royce	2,000	138		Utd. Newspapers	450	531	-1
Bunzl	397	126		Johnson Matthey	1,000	443	+11	Rothmans†	788	668	-3	Vodafone†	1,100	438	+2
Burmah Castrol†	439	700	-7	Kingfisher†	1,800	609	+14	Ryl Bk Scotland†	3,000	285	+3	Warburg (SG)†	269	720	
Burton	3,500	83½	-½	Kwik Save	462	713	-2	Royal Insurance†	1,800	315	-3	Wellcome†	457	669	-9
Cable & Wire.†	583	787		Ladbroke†	2,400	185	+3	[illegible]	979	164	-6	Welsh Water	382	570	-3
Cadbury Schweppes†	617	455	+2	Land Securities†	823	581	+1	Sainsbury†	1,600	447	-9	Wessex Water	182	582	+4
Calor Group	211	238		Laporte	513	618		Scottish & New.†	1,300	459	-5	Whitbread 'A'†	1,400	474	-3
Carlton Comms.†	287	775		Legal & General†	488	479	-1	Scot. Hydro-Elect.†	1,500	334		Williams Hldgs.†	1,400	315	-1
Coats Viyella†	877	233	-2	Lloyds Abbey	801	435	-3	Scottish Power†	2,200	313½	-½	Willis Corroon	363	218	+1
Comm. Union†	845	612	+4	Lloyds Bank†	2,500	570	+8	Sears†	2,400	87		Wimpey	3,200	162	+3
Cookson	822	213	-1	LASMO	3,900	153½	-3½	Sedgwick	880	784	-2	Wolseley†	134	613	-4
Courtaulds†	422	536	-6	London Elect.	1,000	485	+4	Seeboard	225	510		Yorkshire Elect.	358	532	-2
Dalgety	375	461	-4	Lonrho	9,100	134½	+5	Severn Trent Water†	1,500	463	-1	Yorkshire Water	624	483	
				Lucas	2,000	142	+1	Shell Transport†	4,100	613	-2	Zeneca†	3,100	615	-2

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

*First Dealings:		
Jun 21	Jul 5	Jul 19
Option Declarations:		
Jul 1	Jul 15	Jul 29
Last Dealings:		
Jul 2	Jul 16	Jul 30
Account Day:		
Jul 12	Jul 26	Aug 9

*New time dealings may take place from 8.30am two business days earlier.

Owners crashes on warning

HOLIDAY stocks were rocked by two numbing announcements yesterday, with profits warnings from both Owners Abroad and Euro Disney sending the two groups' shares sharply lower and leading other related stocks down. The most dramatic statement came from Owners as it revealed that full-year results would probably be around half what the market was expecting.

Although the revelation came just 45 minutes before the market closed, the shares still managed a 48 per cent fall. They staged a slight recovery to close at 66p, a dramatic decline of 32½ in brisk turnover of 2.6m. Only around 100,000 shares had been traded prior to the announcement.

This latest development at the UK's second biggest tour operator will be yet another blow to the company's credibility in the market. Shortly after it had closely fought off the bid from Airtours earlier this year, Owners angered analysts by advising them to lower their profit estimates, which had been a cornerstone of their defence against Airtours. Cuts to around £27m were made then. Yesterday, the more gloomier analysts were predicting that Owners would be lucky to break £10m.

In a statement issued after the market closed Airtours said that Owners excuses that a fall-off in demand had contributed to their problems flew in the face of its own estimates of a 6 per cent growth this year. Hoare Govett had similar figures and Mr Hamish Dickson, the broker's leisure analyst said: "They obviously took their eye off the ball during the Airtours bid."

Despite the sweeping management changes made yesterday, leisure specialists forecast more downside to the shares. But late market gossip suggested that Owners biggest shareholder, the German travel group LTU, whose 29.99 per cent stake was largely bought at up to 150p-a-share during the Airtours bid, may yet come to the rescue with a full offer.

Airtours lost 3½ to 334p, Eurocamp, which itself issued a profits warning last week, fell 6 to 187p and Scottish and Newcastle, which owns Centre Parcs, dropped 5 to 459p.

BA savaged

Shares in British Airways dived after US investment Bank Goldman Sachs weighed in with a savage profits downgrading.

The stock had eased with the market but news that Goldman's US based airlines specialist had cut his forecast sent the shares further into retreat, ending 10 lighter at 297p, after trade of 3.8m.

Mr Glenn Engel at the investment bank reduced current year expectations by £100m to £175m, but only shaved the figure for the year to March 1995 by £20m to £285m. He said: "I remain very concerned about the passenger and cargo yields. There is no growth in Europe yet the supply [of seats] is increasing which will lead to pressure on prices." In addition, he thought that with corporate budgets still under pressure, the recovery in premium traffic would be slow.

Euro Disney falls

The gloom surrounding Euro Disney increased sharply as the theme park owner company warned that the third quarter would result in losses of about FFr500m and its fourth quarter would also be in loss. The warnings confirmed leisure analysts worst fears which had been sustained since the park's opening by a stream of negative official and independent figures. The shares retreated 108 to 675p.

British Aerospace added 3 to 402p, after announcing a £1.4bn five-year revolving credit facility to refinance its existing bank lines and to extend its debt maturity profile. One analyst said: "This should facilitate the group's restructuring and put it in a stronger position." A squeeze in Smiths Industries saw the shares gain 6 to 371p.

Reports that engineering group Vickers was about to announce a 25 per cent increase in production of Rolls-Royce cars, helped the shares add 5 to 150p. VSEL jumped 36 to 866p after a single buyer bought around 150,000 shares at the 860p. That done, the shares surrendered some of the earlier gains finishing 29 up at 859p.

Guinness reacted favourably to news from the G7 summit on lower whisky tariffs. Analysts said it could add £10m to the drinks group's operating profits. The shares gained 4 to 470p.

Food retailers continued under a cloud with talk of more downgrades. Asda slipped a half-penny to 61¾p, and J Sainsbury 9 to 447p.

There was further good two-way business in Forte, the shares fading 4 at the close to 222p in turnover of 8.8m.

A bear squeeze and switching from Dixons lifted Kingfisher 14 to 609p.

Volume in British Gas jumped to 10m, and the shares closed 3½ lighter at 292¼p, after it said it had postponed plans to increase charges to Gas suppliers who use existing pipe lines.

The weakness in the oil prices as dealers waited for the outcome of talks between the United Nations and Iraq unsettled several stocks in the sector. Enterprise shed 6 to 457p, and Shell Transport relinquished 2 to 613p.

Reuters suffered from pre-results nerves and lost 20 to 1388p ahead of its interims which are due on July 27th.

Investors warmed to the results of Peel Holdings, which also announced the conclusion of successful talks with its bankers, and the shares moved ahead 23 to 233p. MEPC also stood out in a reasonably confident sector with an increase of 15 to 426p on the back of its rights issue success.

Sentiment switched to move against the recently favoured television stocks. NatWest's caution moved the price of Central Television down 28 to 2030p and did the same for Yorkshire-Tyne Tees which tumbled 8 to 205p. Anglia TV slid back 7 to 338p and Scottish TV lost 6 to close at 542p.

A round of revived bid rumours resurfaced to focus attention on Pilkington and the glass group saw its share price add 3¼ to 130p in a turnover of 3.9m.

But some analysts poured scorn on the creedence of the rumours – which pop up at regular intervals in the market – and instead pointed a finger at interest from the US. American buyers are believed to be increasingly friendly towards the stock.

Further optimism about the banking sector ahead of the interim reporting season inspired continued buying of banking stocks. Lloyds which reports at the end of this month put on 8 to 570p, and Barclays edged 3 ahead to 491p, while National Westminister gained 5¼ to 493p. It was an optimistic view on talks between Hong Kong and China which brought renewed interest in HSBC and Standard Chartered. The former moved 10½ ahead to 665¼p, while the latter closed 11 up 789p.

Shares in international mining group RTZ followed the market lower closing a penny lower at 681p, having been 7 ahead at the day's peak after a Smith New Court recommendation.

International conglomerate Hanson continued in demand following its announcement at the end of last month that it is to acquire Quantum Chemical of the US. The shares gained another 3 to 230¾p in sizeable volume of 19m. The stock was also busy in the traded options where the equivalent of just over 4m shares was also dealt.

Support was strong for wool group Sirdar which put on 6 to 101p.

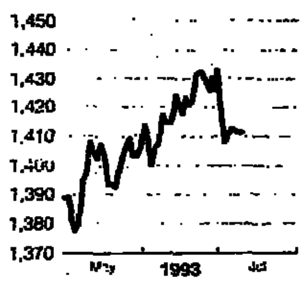
Two way business in Rolls-Royce brought volume of 2m as the shares closed unchanged at 138p. Just before the market close, Moody's the US credit rating agency said it had lowered the rating on the senior debt of Rolls-Royce PLC to A3 from A2 to reflect the weakness of the commercial and military jet engines market.

A buy recommendation from Credit Lyonnais Laing boosted electrical engineering group GEC, the shares closing 3 up at 318p. The securities house said: "The share price may have doubled over the last 18 months but the shares are still attractive by referance to cash generation and the strong order book."

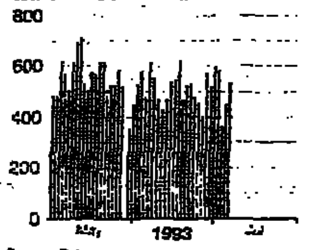
MARKET REPORTERS:
Steve Thompson,
Joel Kibazo,
Christopher Price,
Christine Buckley.

■ Other statistics, Page 25

FT-A All-Share index



Equity Shares Traded



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (122).
BRITISH FUNDS (2) Consld. 2½pc, Treas. 3pc '66, AMERICANS (4) Citicorp, Merrill Lynch, Sears Roebuck, US West, CANADIANS (3) Canadian Impl., Toronto-Dom., Trans Can. Pipe. BANKS (7) Abbey Natl., Anglo Irish, Barclays, Fuji, Natl. Australia, NatWest, Westpac, BREWERS (2) Fuller STA, Matthew Clark, BUSINESS SERVS (1) Brit. Data Mangmt., CHEMS (1) Porvair, CONGLOMERATES (3) Fletcher Chlnge, Lonrho, Porter Chadburn, ELECTRICALS (3) BICC 10¾pc Cv. '20, Critchley, Philips, ELECTRONICS (6) ISA, Nesco, Polar, Radamec, Sema, TGI, ENG AERO (1) Westland, ENG GEN (4) Adwest, Kvaerner, Renold, VSEL, INSCE COMPOSITE (3) GRE, Royal, USF & G, INV TRUSTS (28) Abtrust Prfd. Inc., Baillie Gifford Tech., Candover, Drayton Korea, Drayton Recovery Gwth., Electra, Fidelity European Values Wts., Finsbury Smllr. Co's., First Ireland, Fmg. Geared Inc. Wts., Foreign & Col. German Wts., I & S Optimum Zero Div., Law Debenture, Martin Currie Euro. Wts., New Zealand Inv., Primadona, RIT Capital, Do 2½pc Cv. '00, River Plate Zero Pf., SHIRESCOT, Sth. America Wts., Sumit, TR Technolgy Zero Pf., Thompson Clive, USDC, Yeoman Zero Pf., MEDIA (5) Black (AC), MMI Wts., Mirror, Novo, Osprey Comms., MTL & MTL FORMING (2) Morris Ashby, Thyssen, MISC (3) Nobo, Osborne & Little, Silentnight, MOTORS (7) Alexanders, Bumdene, European Mtr., Evans Halshaw, Lex, Lookers, Volkswagen, OIL & GAS (2) Anva, Pan Pacific, OTHER FINCL (7) Bancaire Cie, Edinburgh Fd. Mngrs., M & G, INVESCO, Perpetual, Rathbone, St James's Pl., PACKG, PAPER & PRINTG (4) Bemrose, Gibbon Lyons, Wace, Do 8pc Pf., PROP (6) Bourne End, Bradford, Brit. Land 8¾pc Pf., Helical Bar, Peel, Slough 8¼pc Pf., TEXTS (2) Dewhirst, Sirdar, TRANSPORT (3) Bergesen, Forth Ports, Natl. Express, SOUTH AFRICANS (1) Gold Fields Prop., MINES (14).
NEW LOWS (21).
AMERICANS (1) Malvy Tech., CHEMS (1) Wardle Storeys, CONGLOMERATES (1) Bibby (J), CONTG & CONSTRCN (1) Raine, ELECTRICALS (1) Neotronics, ELECTRONICS (1) Psion, ENG GEN (1) Barry Wehmiller, FOOD MANUF (1) Cranswick, FOOD RETAILING (1) Morrison (Wm) 5¼pc Pf., HOTELS & LEIS (4) Euro Disney, Eurocamp, Owners Abroad, Do 9¼pc Pf., OTHER FINCL (1) Cambridge, OTHER INDLS (1) AAF, PACKG, PAPER & PRINTG (3) MR Data Mangmt., Microgen, St Ives, STORES (3) Country Casuals, Dixons, Do Dw Pf.

FINANCIAL TIMES EQUITY INDICES

	July 8	July 7	July 6	July 5	July 2	Year ago	* High	* Low
Ordinary share	2227.8	2234.1	2235.0	2225.3	2237.9	1913.9	2299.5	2124.7
Ord. div. yield	4.14	4.13	4.12	4.15	4.13	4.78	4.52	4.07
Earning yld % full	4.93	4.91	4.91	4.93	4.90	7.00	6.38	4.82
P/E ratio net	25.98	26.06	26.09	25.95	26.14	17.93	26.57	19.40
P/E ratio nil	24.08	24.16	24.18	24.06	24.19	16.64	24.60	18.14
Gold Mines	229.5	239.3	233.7	226.2	228.9	83.8	239.3	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2237.3	2233.5	2234.8	2236.2	2235.5	2235.4	2230.9	2228.6	2225.9	2239.8	2224.5

Volume	July 8	July 7	July 6	July 5	July 2	Year ago
SEAQ Bargains	24,951	25,357	23,837	25,014	33,880	
Equity Turnover(£m)†	-	1155.6	958.8	761.5	1238.9	
Equity Bargains†	-	29,706	28,059	29,544	38,181	
Shares traded (ml)†	-	538.4	451.0	385.0	585.2	

† Excluding intra-market business and overseas turnover.

London report and latest Share index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2845.9 -2.4	3226.4 +6.5	1411.46 -0.27

	Jul 8	Day's change %	Jul 7	Jul 6	Jul 5	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	2845.9	-0.1	2848.3	2848.1	2838.5	2497.9	4.02	5.91	21.07	51.80	1023.01
FT-SE Mid 250	3226.4	+0.2	3219.9	3232.1	3219.0	2474.5	3.73	6.09	20.32	52.18	1151.19
FT-SE Mid 250 ex Inv Trusts	3243.8	+0.2	3238.5	3261.3	3237.4	2494.1	3.83	6.51	19.19	52.99	1152.89
FT-SE-A 350	1424.8	—	1425.1	1426.2	1421.2	1214.7	3.95	5.96	20.80	25.28	1048.55
FT-SE SmallCap	1637.59	—	1638.21	1642.72	1642.85	—	3.40	4.28	32.77	24.05	1224.57
FT-SE SmallCap ex Inv Trusts	1640.39	-0.1	1642.21	1646.73	1646.34	—	3.65	4.73	30.72	25.29	1227.69
FT-A ALL-SHARE	1411.46	—	1411.73	1413.02	1408.36	1198.25	3.92	5.85	21.37	24.78	1058.40

1 CAPITAL GOODS(214)	995.83	+0.1	994.83	997.80	996.05	797.98	4.00	4.25	31.30	20.73	1166.45
2 Building Materials(28)	1051.65	-0.2	[illegible]								
3 Contracting, Construction(32)	923.53	-0.1	[illegible]								
4 Electricals(15)	2666.50	+0.2	[illegible]								
5 Electronics(38)	2702.22	-0.5	[illegible]								
6 Engineering-Aerospace(7)	414.75	-0.7	[illegible]								
7 Engineering-General(48)	578.34	+0.2	[illegible]								
8 Metals & Metal Forming(10)	395.52	-0.3	[illegible]								
9 Motors(20)	418.59	+0.4	[illegible]								
10 Other Industrials(19)	2107.54	—	[illegible]								
21 CONSUMER GROUP(235)	1606.64	-0.3	[illegible]								
22 Brewers and Distillers(30)	1658.19	-0.1	[illegible]								
25 Food Manufacturing(22)	1298.22	-0.1	[illegible]								
26 Food Retailing(17)	2784.15	-0.9	[illegible]								
27 Health & Household(30)	3330.59	-0.7	[illegible]								
29 Hotels and Leisure(20)	1342.38	-0.3	[illegible]								
30 Media(33)	2015.01	-0.3	[illegible]								
31 Packaging and Paper(24)	828.23	-0.8	[illegible]								
34 Stores(39)	1138.78	+0.2	[illegible]								
35 Textiles(20)	798.41	-0.1	[illegible]								
40 OTHER GROUPS(142)	1491.58	-0.2	[illegible]								
41 Business Services(26)	1618.29	-0.4	[illegible]								
42 Chemicals(23)	1502.57	-0.2	[illegible]								
43 Conglomerates(11)	1429.94	+0.9	[illegible]								
44 Transport(15)	2585.27	-0.8	[illegible]								
45 Electricity(16)	1798.24	-0.5	[illegible]								
46 Telephone Networks(4)	1787.16	-0.2	[illegible]								
47 Water(13)	3247.71	-0.1	[illegible]								
48 Miscellaneous(32)	2222.69	-0.5	[illegible]								
49 INDUSTRIAL GROUP(591)	1429.15	-0.2	[illegible]								
51 Oil & Gas(18)	2441.32	-0.5	[illegible]								
59 "500" SHARE INDEX(609)	1519.17	-0.2	[illegible]								
61 FINANCIAL GROUP(90)	1075.56	+0.9	[illegible]								
62 Banks(9)	1484.72	+1.2	[illegible]								
65 Insurance (Life)(6)	2053.52	+0.5	[illegible]								
66 Insurance (Composite)(7)	585.79	+0.4	[illegible]								
67 Insurance Brokers(10)	894.48	-0.2	[illegible]								
68 Merchant Banks(6)	675.33	—	[illegible]								
69 Property(29)	887.87	+1.5	[illegible]								
70 Other Financial(23)	389.79	+0.3	[illegible]								
71 Investment Trusts(110)	1528.89	+0.5	[illegible]								
99 FT-A ALL-SHARE(809)	1411.46	—	1411.73	1413.02	1408.36	1198.25	3.92	5.85	21.37	24.78	1058.40

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2851.3	2847.4	2851.2	2854.7	2855.5	2855.3	2849.9	2845.7	2845.9	2855.7	2842.2
FT-SE Mid 250	3221.8	3219.9	3220.4	3221.3	3223.4	3225.0	3224.6	3225.2	3226.1	3226.5	3219.5
FT-SE-A 350	1426.4	1424.7	1426.3	1427.7	1428.2	1428.3	1426.2	1424.6	1424.4	1428.3	1423.3

Time of FT-SE 100 high: 11.37am low: 3.48pm

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Construction	1773.2	1768.5	1771.1	1771.1	1771.0	1774.7	1776.8	1776.9	1776.4	1775.9	1773.1	+2.8
Health & H	1008.9	1004.7	1005.4	1007.4	1007.5	1005.2	1002.4	1002.7	1002.2	1003.1	[illegible]	-6.9
Water	1347.6	1347.2	1345.0	1340.1	1341.1	1341.1	1340.9	1340.0	1340.8	1340.8	1342.7	-1.9
Banks	1787.7	1790.1	1795.5	1803.9	1808.0	1806.2	1805.6	1805.2	1804.0	1804.7	1783.7	+21.0

[illegible] The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1993. © The Financial Times Limited 1993. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Funding 6pc 1993‡‡	100	—	100¼	99⅞	6.00	[illegible]
Treas 13¼pc 1993‡‡	102⅞	—	106⅛	101½	13.35	[illegible]
8½pc 1994	101[illegible]	—	102[illegible]	101[illegible]	8.38	[illegible]
14½pc 1994‡‡	105⅝	—	108¼	105⅝	13.73	[illegible]
Exch 13½pc 1994	106[illegible]	—	109[illegible]	106[illegible]	12.71	[illegible]
Treas. 10pc Ln. 1994‡‡	103[illegible]	—	105[illegible]	103[illegible]	9.62	[illegible]
Exch 12½pc 1994	107[illegible]	—	110[illegible]	107[illegible]	11.52	[illegible]
Treas 9pc 1994‡‡	104¼	—	105[illegible]	103[illegible]	8.63	[illegible]
12pc 1995	109⅛	[illegible]	111[illegible]	108¼	11.00	[illegible]
Exch 3pc Gas 90-95	96¼	—	96¼	94	3.12	[illegible]
10¼pc 1995	108¼	—	109⅞	107[illegible]	9.47	[illegible]
Treas 12¼pc 1995‡‡	114½	[illegible]	116⅞	113⅝	11.14	[illegible]
14pc 1996	118	[illegible]	120⅝	117[illegible]	11.86	[illegible]
15¼pc 1996‡‡	122[illegible]	—	125⅝	121[illegible]	12.43	[illegible]
Exch 13¼pc 1996‡‡	117¼	[illegible]	120[illegible]	116½	11.25	[illegible]
Conversion 10pc 1996	110[illegible]	[illegible]	111½	108⅞	9.06	[illegible]
Treas 13¼pc 1997‡‡	120[illegible]	[illegible]	122[illegible]	118[illegible]	11.00	[illegible]
Exch 10½pc 1997	112[illegible]	—	113⅝	110[illegible]	9.38	[illegible]
Treas 8¾pc 1997‡‡	107⅛	—	108[illegible]	105½	8.15	[illegible]
Exch 15pc 1997	129[illegible]	[illegible]	132[illegible]	127[illegible]	11.59	[illegible]
9¾pc 1998	111[illegible]	[illegible]	112⅝	109[illegible]	8.78	[illegible]
Treas 7¼pc 1998‡‡	102⅛	[illegible]	103¼	99[illegible]	7.10	[illegible]
7¼pc 1998 A‡‡	102[illegible]	[illegible]	102[illegible]	99[illegible]	7.10	[illegible]
Treas 6¾pc 1995-98‡‡	100[illegible]	[illegible]	101	97[illegible]	6.75	[illegible]
14pc '98-1	127⅛	[illegible]	129½	125[illegible]	11.01	[illegible]
Five to Fifteen Years						
Treas 15½pc '98‡‡	136	[illegible]	138[illegible]	133[illegible]	11.40	[illegible]
Exch 12pc 1998	120[illegible]	[illegible]	122⅝	118⅛	9.92	[illegible]
Treas 9½pc 1999‡‡	111⅛	[illegible]	112½	108[illegible]	8.55	[illegible]
Exch 12¼pc 1999	122[illegible]	[illegible]	124[illegible]	120[illegible]	9.98	[illegible]
Treas 10½pc 1999	115[illegible]	—	117[illegible]	112[illegible]	9.07	[illegible]
Conversion 10¼pc 1999	115⅛	—	117[illegible]	112⅞	8.90	[illegible]
9pc 2000‡‡	109[illegible]	—	110[illegible]	106	8.22	[illegible]
Treas 13pc 2000	129[illegible]	[illegible]	131	125½	10.05	[illegible]
10pc 2001	114[illegible]	—	115[illegible]	109[illegible]	8.75	[illegible]
9¾pc 2002	113[illegible]	—	114[illegible]	108⅛	8.58	[illegible]
8pc 2003‡‡	103[illegible]	—	103[illegible]	97[illegible]	7.75	[illegible]
8pc 2003 A‡‡	103⅛	—	103[illegible]	102⅛	7.76	[illegible]

BRITISH FUNDS - Cont.

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS - Cont.

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1992: 139.9 and for May 1993: 141.1.

OTHER FIXED INTEREST

[illegible]

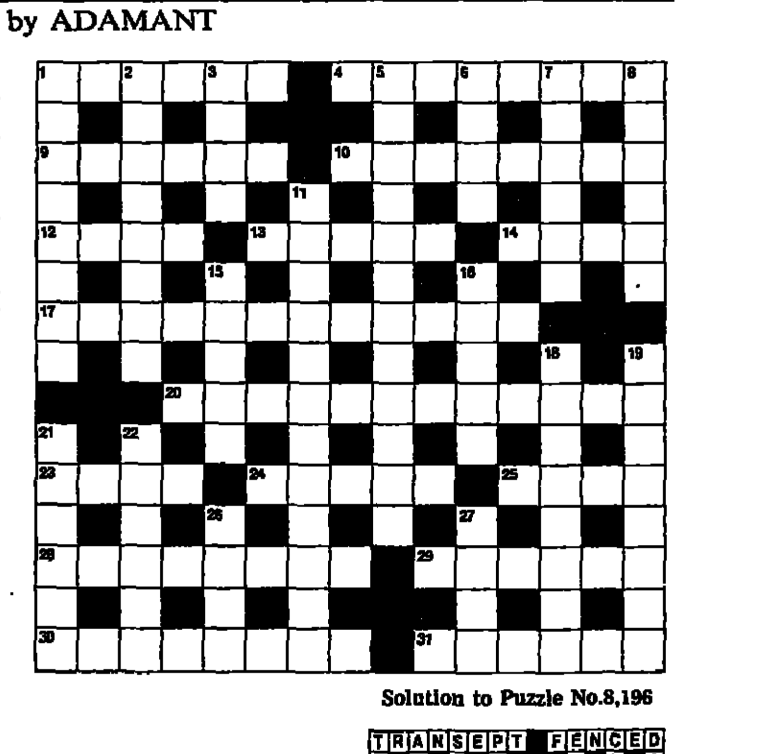
Continued on next page

CROSSWORD

No.8,197 Set by ADAMANT

ACROSS
1 Bird that might slide into wicked ways (6)
4 Did he use the classic excuse for getting home so late? (8)
9 Hold the admiral (6)
10 Coteries can turn secretive (8)
12 Meet the conqueror of Everest (4)
13 Discovered there was nothing in the bank account (5)
14 Spots one in Scotland with a cold heart (4)
17 Reads in translation about Dame Judi's fine arts production in Germany (7,5)
20 You are going to get them! (7,5)
23 Extensive new entry in the record book (4)
24 Hurry overseas (5)
25 Unhappy athlete (4)
28 Another brave start with German backing – those are the exact words (8)
29 Ballesteros might hesitate over what could be very difficult (6)
30 24 paid it out in a permanent way (8)
31 Free at midnight and the artist can sit back (6)

DOWN
1 Protection against light and dark (8)
2 Second dramatist has left in a breakaway group (8)
3 Hero perhaps, but a potentially old one (4)
5 Disillusioned when Senna ditched the new model (12)
6 Take the chair at the English venue (4)
7 Keeping a loose rein on the child will bring a greater reward (6)
8 Prepared to keep the Committee for Racial Equality under wraps (6)
11 Indicate the spot for the country meeting (5,2,5)
15 Perfect ladies have no point at variance (5)
16 Having a horse on board presents drawbacks (5)
18 A fellow who is voluble and wealthy (8)
19 American woman with money lost one attendant (8)
21 About to apply pressure – that's wise (6)
22 Some born upwardly mobile will make a good catch (6)
26 Money and property (4)
27 He expects the girl to keep one (4)



JOTTER PAD

Solution to Puzzle No.8,196

TRANSEPT FENCED
VANGUARD DARNEL
REINFORCE OVERT
WAVY SCAMPER
UNIFORM VIEW
CADET ALLOWANCE
ABACUS BADINAGE
EASING REVEREND

EQUITY FUTURES AND OPTIONS TRADING

WHILE German and French futures markets notched up strong performances, the September contract on the FT-SE 100 could only stand on the sidelines and watch, ending just one point up at 2,849 from its previous day's close, writes Christine Buckley.

Traders were disappointed in its showing – which was also set against a buoyant Wall Street – and volume was thin at 7,741 contracts.

American players made a significant dent with their desertion of the UK contract in favour of buying into Germany's market. A general lack of buyers was also blamed for dull action in stock index futures.

The contract hit its trading high in mid morning rising just above the 2,859 mark.

One trader said that its poor achievement could be explained partially by the fact that it had to drag itself up from a low of the previous day of 2,828 but even that, in the face of strong markets abroad, did not excuse a "lousy rally".

September started the day at 2,851 and its close of 2,849 left it at about 4 points below its fair value premium to cash which is around 7 points.

Life was slightly faster in traded options with a respectable volume of 32,387 lots against the previous day's 22,075. Stock options had some strength with Hanson at 4,189 lots and Tesco at 3,243. The FT-SE 100 option saw 5,448 lots change hands.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		18 7/8xd	+1/16	20 1/4	15 7/8	14,123	2.8
Allegheny & W.	♥	628p	-3	635p	399p	328.3	3.0
Amdahl		326p	—	591p	302 1/4p	368.4	1.0
Amer Cyanamid		35 1/4	+1/2	38 5/8	31 1/4	3,166	3.0
Amer Express		20 1/4xd	+1/16	21 3/4	14 7/8	10,078	3.0
Amer T & T		41xd	+1/4	42 1/4	33 1/4	54,525	2.0
Ameritech		52 1/4	-1/4	54 1/2	46	22,822	4.5
BankAmerica		30 1/4xd	-1/4	35 1/8	27 1/8	10,501	2.9
Bankers NY		50 1/4xd	+1	51 1/2	42 5/8	4,033	3.9
Bell Atlantic		35 1/4	+1/8	35 1/2	32 1/4	16,592	4.4
BellSouth		36 1/2	+1/4	39 7/8	32 7/8	18,037	4.8
Bethlehem Steel	♥	12 1/2xd	+1/16	13 3/4	10	1,103	–
Bowater		1286pxd	+1	1682p	1267p	460.7	2.0
CPC		28 7/8xd	+1/2	34 5/8	28	4,070	3.0
California Engy		1213p	—	1479p	1086p	220.8	–
Chase Manhattan		21 1/4xd	+1/8	24 1/2	17 3/4	3,395	3.5
Chrysler		30 1/2xd	+1/8	31 1/2	21 1/4	6,913	1.2
Citicorp		20 1/2xd	+1/8	29 1/2	13 1/4	7,516	–
Colgate-Palm		37 1/4xd	—	45 1/8	35 1/4	5,927	2.4
Cont'l Bank		1573p	-13	1677p	1278p	1,569	2.4
Dana		34 1/4xd	-1/8	36 1/2	29 1/2	1,586	2.9
Data General		606p	—	951p	587p	167.2	–
Decora Inds	♥	135p	+4	148p	109p	–	–
Dun & Brad		38 7/8	+1/4	42 5/8	37 1/8	6,925	4.0
Eaton	h	28 1/4xc	—	31 1/2	25 1/2	1,996	2.4
Echlin		18 7/8xd	—	18 1/2	15 1/2	1,081	2.3
FPL		26 1/4xd	-1/4	27 7/8	23 1/4	4,567	6.2
Ford Motor		33 1/4xd	+1/8	38 1/2	25 1/2	16,168	1.9
Gen Elect		63 1/4xd	+1/2	65 1/8	53 7/8	54,018	2.5
General Host	♥	522p	—	723p	513p	–	4.3
Gillette		36 1/4xd	-1/4	42 7/8	31 1/4	7,908	1.5
Hasbro		20 7/8	—	20 7/8	20 1/2	1,619	0.7
Honeywell		24 1/2xd	-1/2	24 1/2	20 1/2	3,346	2.3
Houston Inds		29 1/4	+1/8	33 1/4	28 1/4	3,786	6.5
Ingersoll-Rand		21 1/2xd	-1/4	25	19 1/8	2,252	2.0
Lockheed		43 1/4	+1/2	44 1/8	35 1/4	2,684	3.0
Lowe's	h	2569p	-22	2604p	1573p	1,574	0.7
Malvy Technology		147p	-2	203p	147p	–	–
Merrill Lynch		55 1/4xd	+2 1/4	55 1/4	37	5,690	1.4
Morgan (JP)		46 1/4xd	+1/8	48 1/2	38 1/4	8,882	3.3
Morris (Philip)		31 1/4xd	+1/8	52 7/8	28 1/2	28,205	5.2
NYNEX		58 1/2	—	64 1/4	52 1/4	12,259	4.9
Pall		11 1/2xd	+1/4	15	11	1,331	1.8
Pennzoil		40 7/8xd	+1/4	44 1/8	31 1/2	1,665	4.6
Quaker Oats		46 1/2xd	-1/4	50 1/2	39 1/4	3,519	2.5
Questar		216p	+1	229p	16 1/2p	22.8	–
Rockwell		21 1/4xd	-1/8	22 1/2	18 1/2	4,686	2.9
Rep NY		34 1/4xd	+1/2	37 1/2	29 1/4	1,818	2.0
Sears, Roebuck		37 5/8xd	+1 1/2	37 7/8	23 1/4	12,991	2.7
Stwestern Bell	h	28	+1/8	28 1/4	23 1/4	15,598	3.7
Sun Co		18 1/4xd	+1/8	21 1/8	14 1/4	1,727	7.0
Tenneco		33 1/2xd	+1/4	34 1/8	25 1/2	5,727	3.0
Texaco		42 1/2xd	+1/2	44 1/4	37 7/8	10,664	4.7
Time Warner	h	25 1/4xd	-1/2	28 1/2	18 5/8	9,334	0.7
UniSab	♥	427p	+4	450p	358p	194.4	–
US West		31 1/4	+1/4	31 1/4	24 1/4	12,900	4.3
Varity		1807p	-119	2286p	1686p	646.4	–
WMX Technologies		20 7/8xd	+1/4	27 1/2	18 1/4	10,267	1.8
Whirlpool		3740pxd	+11	3785p	2824p	2,814	2.1
Woolworth	♥	18 7/8	+1/4	21 1/2	17 7/8	2,442	3.8

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

WATER

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Price	+or-	1993 high	low	Mkt Cap£m	Yld Gr's
[illegible]						
Greenwich Res	19¾	-¼	22¼	5	15.4	-
Hemlo Gold C$	£7¾	..	£7¾	£3½	749.9	1.2
Iernia West IE	39	-3	57	31	19.6	-
Kells Mins IE	13	..	13	6	0.31	-
Kenmare	9	....	13½	6	9.01	-
Malinga Res	15	....	25½	13½	1.66	-
Navan Res IE	88¾	-4½	100	25	14.8	-
5pc Ln Notes	88¾	-8	94¼	25	15.6	-
Oryx Gold	75½	..	75½	47	-	-
Ovoca Res IE	3½	....	3½	3½	0.24	-
RTZ	681	-1	709	607	7,034	3.8
Vizcaya	5¼	....	5¾	2¾	3.08	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ⚘ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue,
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT4849. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Providence Capital Life Assc. Co Ltd – Contd.				
Alpha Pension Funds				
UK Alpha		229.3	—	–
US Alpha		120.2	—	–
Gilt Alpha		87.4	—	–
Gold Alpha		102.9	—	–
Japan Alpha		44.7	—	–
US Dollar Alpha		79.4	—	–
Yen Alpha		81.4	—	–
DM Alpha		87.2	—	–
European Alpha		88.5	—	–
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ			0256 470707	
Gold Range (Pensions)				
Managed Fund		158.9	—	–
Provident Mutual Life Assc. Assn.				
6 Hills Way Stevenage Herts SG1 2ST			0438 722000	
Managed Ord	418.6	440.6	+2.6	–
Managed Init	295.7	311.3	+1.5	–
Equity Ord	523.8	556.4	+4.2	–
Equity Init	440.3	463.6	+3	–
Index Linked Gilt Ord	196.4	206.7	—	–
Index Linked Gilt Init	144.8	152.4	—	–
Overseas Equity Ord	337.9	355.7	+3.4	–
Overseas Equity Init	238.6	251.2	+2.6	–
Property Ord	228.9	240.9	—	–
Property Init	161.6	170.1	—	–
Fixed Interest Ord	266.4	280.4	—	–
Fixed Interest Init	188.1	198.0	—	–
Deposit Ord	197.1	207.5	+0.1	–
Deposit Init	139.1	146.4	—	–
Pension Funds				
Managed Ord	552.8	581.9	+3.9	–
Managed Init	390.2	410.7	+2.8	–
Equity Ord	650.0	684.7	+7.2	–
Equity Init	600.0	631.8	+6	–
Pen Ind Lkd Gilt Ord	223.7	235.5	—	–

	Bid Price	Offer Price	+ or -	Yield Gross
Scottish Amicable				
150 St Vincent St, Glasgow				
Life Funds (First Series)				
Managed	[illegible]			
Equity	[illegible]			
Property	[illegible]			
International	[illegible]			
Japanese	[illegible]			
Asia Pacific	[illegible]			
European	[illegible]			
American	[illegible]			
Fixed Interest	[illegible]			
Index-Linked Gilt	[illegible]			
Cash	[illegible]			
Life Funds (Second Series)				
Managed	[illegible]			
Equity	[illegible]			
Property	[illegible]			
International	[illegible]			
Japanese	[illegible]			
Asia Pacific	[illegible]			
European	[illegible]			
American	[illegible]			
Fixed Interest	[illegible]			
Index-Linked Gilt	[illegible]			
Cash	[illegible]			
Pension Funds				
Building Society	[illegible]			
Managed (Init)	[illegible]			
Managed (Acc)	[illegible]			
Equity (Init)	[illegible]			
Equity (Acc)	[illegible]			
Property (Init)	[illegible]			
Property (Acc)	[illegible]			
International (Init)	[illegible]			
International (Acc)	[illegible]			
Fixed Interest (Init)	[illegible]			
Fixed Interest (Acc)	[illegible]			
Cash (Init)	[illegible]			

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

LUXEMBOURG

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	6	[illegible]	1.2193	1.2931	[illegible]	0.10
Gilt	3	[illegible]	1.0005	1.0316	[illegible]	7.75
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70008						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	5	211.9	211.9	222.4	+0.5	3.48
Growth (C & D)	5	316.1	316.1	336.1	+0.7	-
Royal Trust Jsy Fd Mngt Ltd (1406)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	55.88	55.88	58.16	-	7.57
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5		18.02	18.94	-0.04	4.55
Sterling Bond	5		9.81	10.28	-	8.43
Sterling Cap			42.62	42.65	-4.01	6.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.33	101.33	104.37	+0.02	5.00
Gilt & Fixed Interest	3	118.45	118.45	122.78	+0.05	7.54
Blue Chip & Gilt Edged	5	80.36	80.36	83.54	+0.18	3.50
International Bond	5	137.32	137.32	144.39	-0.40	4.97
UK Equity	5	255.06	263.17	277.82	+0.21	1.25
International Equity	5	179.28	181.88	191.46	+0.87	0.58
Far Eastern	5	170.47	173.75	182.88	+2.86	0.00
European	5	120.71	127.29	133.98	+0.28	0.00

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Banque Scandinave a Luxembourg SA - Contd.						
Scandifond Bond Fund						
Bond Int. Acc	1	$-	12.28	12.42	+0.02	5.64
Europa Bond Acc	1	$-	1.54	1.58	+0.01	7.15
Bond DEM Acc	1	DM-	1.23	1.25	-	5.64
Bond USD Acc	1	$-	1.41	1.44	-	5.79
Bond Sweden Acc	1	SKr-	16.62	16.8	+0.07	10.19
Scandifond International Stats						
Intl Emerging Markets	6	$-	1.08	1.12	-	-
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4799 2930						
IPB Deutschmark Reserve		DM-	31.55	-	-	-
IPB Sterling Reserve		£-	10.38	-	-	-
IPB Swiss Franc Reserve		SFr-	30.82	-	-	-
IPB US Dollar Reserve		$-	20.34	-	-	-
IPB European Bond		Ecu-	17.86	-	-	-
IPB North American Bond		$-	21.38	-	-	-
IPB Espana		Pta-	2787	-	-	-
IPB Europe		Ecu-	18.19	-	-	-
IPB Japan		Y-	27.73	-	-	-
IPB Pacific Rim		$-	22.11	-	-	-
IPB United Kingdom		£-	11.04	-	-	-
IPB United States		$-	21.11	-	-	-
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 404344						
Equity Funds						
European Equity	5¼	£-	0.920	0.978	+0.003	0.3
Intl Equity	5¼	£-	1.443	1.534	+0.009	0.3
North Am Eqty	5¼	£-	33.66	35.80	-0.14	0.3
Pacific Eq	4½	£-	8.407	8.812	+0.024	0.5

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Kleinwort Benson Japanese Warrant Fund						
14 rue Aldringen Luxembourg 010 352 4798-1						
NAV		$-	7.283	-	-	-
Kleinwort Benson Select Fund (u)						
14 Rue Aldringen L-1118 Luxembourg 010 352 47991						
British		Ecu-	2.74	2.91	-	-
Emerging Asia		Ecu-	2.39	2.62	-	-
European		Ecu-	2.01	2.13	-	-
Japanese		Ecu-	2.03	2.16	-	-
Kleinwort World		FM-	16.93	17.58	-	-
North American		Ecu-	2.46	2.60	-	-
Dollar Bond		$-	2.10	2.21	-	-
International Bond		Ecu-	2.48	2.61	-	-
European Bond		Ecu-	3.26	3.42	-	-
Convertible Bond		Ecu-	2.34	2.48	-	-
Yen Bond		Y-	360.28	378.86	-	-
Latin American Mngmt Group Ltd (e)						
Exchange Hs, Primrose St, Ldn, EC2A 2NY 071-628 1234						
Argentinian Inv Co		$-	16.76	-0.09		-
Brazilian Inv Co SICAV		$-	33.42	-0.1		-
Latin Am Income Co SICAV		$-	10.03	-		-
Latin Amer Inv Co SICAV		$-	8.33	+0.08		-
Mexican Inv Co SICAV		$-	30.13	+0.27		-
Liberty ALL-STAR World Ptfolio-Eqty Fd(x)						
2 boulevard Royal, Luxembourg 010 352 45901						
NAV (x)		$-	11.18	(x)		-
Lloyds Bank Luxembourg						

	Bid Price	Offer Price
Credit Commercial de France		
Euro Smr Cos Class A	Ecu12.53	
Euro Smlr Cos Class B	Ecu12.53	
Euro Prestige Cls A (u)	Ecu8.61	
Euro Prestige Cls B (u)	Ecu10.95	
Credit Lyonnais Rouse (Bermuda) Ltd		
CLR SELECT June 30		
Diversfd US$ Trading	$10.71	
Diversfd DM Trading	DM22.74	
Diversfd FFr Trading	FFr57.16	
Diversfd A$ Trading	A$10.78	
Diversfd US$ Gtd May 99	$10.82	
Diversfd A$ Gtd Jan 2000	A$11.22	
Financial US$ Trading	$10.50	
Financial DM Trading	DM21.28	
Currency US$ Trading	$10.28	
Currency DM Trading	DM21.62	
Credit Suisse		
CS Money Mkt Fd US$	$1751.45	[illegible]
CS Money Mkt Fd DM	[illegible]	[illegible]
CS Money Mkt Fd £	£2251.38	[illegible]
CS Money Mkt Fd Yen	Y142522	[illegible]
CS Money Mkt Fd Ecu	Ecu1318.35	[illegible]
CS Money Mkt Fd SFr	[illegible]	[illegible]
CS Money Mkt Fd Gldr	[illegible]	[illegible]
CS Money Mkt Fd Lire	[illegible]	[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

French franc tumbles in ERM

THE French franc fell sharply against the D-Mark inside the European exchange rate mechanism yesterday amid increasing concern about the scale of the economic downturn in France, *writes James Blitz.*

The French franc has been the victim of mild selling pressure for most of this week. But many dealers were surprised yesterday by the speed of the fall in the currency's exchange rate.

After closing in London at FFr3.3832 against the German currency on Wednesday night, the franc slipped sharply yesterday morning, almost touching the FFr3.40 level. It later closed in London at FFr3.395.

Against its ERM divergence indicator, the currency was briefly seen at minus 70 percentage points. However, there were no reports of intervention by the Bank of France.

A gloomy report from INSEE, the French economic information agency, was a trigger for the worsening sentiment towards the French franc. The group said that France's total GDP shrank by 0.5 per cent in the first quarter of this year after a revised drop of 0.3 per cent in the last quarter of 1992. The group also predicted that French unemployment could be as high as 12.5 per cent by the end of the year.

A strong vehicle for the franc's decline yesterday was also the continuing sell-off of French bonds. Mr Paul Chertkow, chief currency strategist at UBS in London, said there had been much profit taking by investors after French bond yields came close to their German counterparts. In his view, German short-term interest rates are low enough to encourage investor interest further along the yield curve.

Mr Chertkow believes that the current pressure on the franc will dissipate because the Bundesbank will reduce interest rates by 125 basis points this year and 100 basis points next year. In his view, the French economy's fundamentally stronger position compared to Germany's will allow the Bank of France to push its interest rates well below German levels to a point where they can stimulate recovery.

Mr Mark Austin, treasury economist at Midland Global Markets, is more pessimistic. "This was not a one-off," he said. "We are at the beginning of some more pressure in the system."

The D-Mark was strong against most European currencies, partly helped by perceptions that the German recession may have bottomed out.

Both the peseta and Italian lira were also weaker against the D-Mark on the day. The German currency pushed sterling down at one stage, but the pound later recovered to close ¼ pfennig up on the day at DM2.5500.

The Swedish krona has been particularly badly hit in recent days, following the news that the country's unemployment rate is at 10 per cent. This is very high by Swedish standards. The krona closed at around SKr4.65 against the D-Mark yesterday, having been at SKr4.48 earlier in the week.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	186.672	-3.21	4.86	54
Spanish Peseta	154.250	149.659	-2.98	4.62	52
Irish Punt	*0.808628*	*0.804662*	*-0.49*	*2.00*	36
Dutch Guilder	2.19672	2.19806	0.06	1.44	13
Belgian Franc	40.2123	40.2753	0.15	1.34	8
D-Mark	1.94964	1.95509	0.28	1.22	3
Danish Krone	7.43679	7.53803	1.36	0.14	-48
French Franc	6.53883	6.63709	1.50	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

Jul 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4890 - 1.4985	1.4950 - 1.4960	0.38-0.36cpm	2.97	1.02-0.99pm	2.69
Canada	1.9105 - 1.9255	1.9170 - 1.9180	0.31-0.25cpm	1.75	0.76-0.66pm	1.48
Netherlands	2.8585 - 2.8700	2.8600 - 2.8700	⅛-¼cdis	-0.79	⅜-⅝dis	-0.70
Belgium	52.30 - 52.60	52.50 - 52.60	2-7cdis	-1.03	5-18dis	-0.88
Denmark	9.7770 - 9.8400	9.8200 - 9.8300	[illegible]	-2.44	[illegible]	-1.93

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.496	2.550	162.5	8.658	2.265	2.86[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.668	1	1.705	108.6	5.787	1.514	1.91[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.392	0.587	1	63.73	3.395	0.888	1.12[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	6.154	9.206	15.69	1000.	53.28	13.94	17.6[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.155	1.728	2.945	187.7	10.	2.616	3.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.442	0.660	1.126	71.74	3.823	1	1.26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.349	0.522	0.890	56.72	3.022	0.791	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.428	0.640	1.091	69.50	3.703	0.969	1.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.521	0.780	1.330	84.72	4.514	1.181	1.49	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.903	2.847	4.853	309.2	16.48	4.310	5.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.513	0.767	1.308	83.33	4.440	1.162	1.46	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.770	1.152	1.963	125.1	6.665	1.744	2.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

French rates rise

THERE was sharp upward move in French franc money market interest rates yesterday after the currency came under strong pressure inside the European exchange rate mechanism, *writes James Blitz.*

The French currency has been under pressure for some days amid concerns about the deteriorating economic situation in France and speculation that the Bundesbank may not cut short term interest rates by as much as the Bank of France would like.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Yesterday that fall in currency had a pronounced effect on interest rate markets. Dealers took the view that the French authorities would be unable to cut interest rates by as much as they would like as long as the currency threatens to move close to its floor against the D-Mark in the ERM.

French 3 month cash rates rose sharply during the day, from about 7 per cent in the early European morning to a peak of 7.40 per cent on the bid side. In the afternoon, some of this move was retraced, and 3 month francs closed at about 7.18 per cent. But this left them only 10 basis points below their German counterparts, a striking indication of how the spread between money market rates in both countries has narrowed.

Sentiment in French interest rate futures markets was equally downbeat. The September Pibor contract dropped 31 basis points to close at 93.24 on the day. At one stage, the contract was traded at 93.21, bringing it only 7 basis points away from the equivalent Euromark contract.

Dealers in sterling markets tempered their expectations for a base rate cut before the end of the year after sterling performed weakly on the foreign exchanges.

However, the pound hovered down by about ½ a pfennig against the German currency yesterday, forcing a slight retracement in interest rate futures. The September short sterling contract fell by about 4 basis points at one stage, bottoming out at 94.21. It later climbed back to close at 94.27 as the pound staged a small recovery.

The cash market reflected the slightly gloomier outlook on interest rates, with 3 month money closing 1/16 per cent higher at 5 13/16 per cent. There was a large shortage of £2bn forecast at the start of trading, but much of this was removed by the Bank of England using a repurchase agreement in the early round.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
118	-	1.60	1.77	0.11	0.26	0.90
119	0.66	0.90	1.23	0.30	0.57	1.32
120	0.20	0.44	0.81	0.83	1.10	-
121	0.07	0.18	0.50	-	-	-
122	-	0.07	0.29	-	-	-
Open Int	14,421	140,373	45,084	24,085	176,681	30,150

Estimated volume 50,918 † Total Open Interest 464,404
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close July 8

Quotations in cents unless marked $

MONTREAL

4 pm close July 8

INDICES

NEW YORK

DOW JONES	July 7	July 6	July 2	July 1	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3475.87	3449.93	3483.97	3510.54	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.60	107.81	107.70	107.82	107.75 (29/6)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1499.29	1538.07	1552.23	1553.81	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	*244.68*	*243.94*	*244.13*	*245.32*	*247.68* (16/4)	*217.14* (8/1)	*247.68* (16/4/93)	*10.50* (8/4/32)

DJ Indl. Day's High 3495.32 (3502.52) Low 3448.28 (3448.28) (Theoretical◆)
Day's High 3476.22 (3492.55) Low 3449.93 (3449.93) (Actual◆)

STANDARD AND POOR'S

	July 7	July 6	July 2	July 1	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	442.83	441.43	445.84	449.02	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	503.56	501.83	508.09	511.67	524.89 (10/3)	498.48 (28/4)	524.98 (10/3/93)	3.62 (21/6/32)
Financial	45.09	44.74	44.79	45.19	46.87 (13/4)	39.89 (8/1)	46.87 (13/4/93)	8.64 (1/10/74)
NYSE Composite	245.68	245.07	247.12	248.64	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	431.79	433.77	435.27	435.87	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	698.79	702.22	704.49	703.59	708.65 (4/2)	645.87 (26/4)	708.65 (4/2/93)	54.87 (31/10/72)

	July 2	Jun 25	Jun 18	year ago (approx.)
Dow Industrial Div. Yield	*2.96*	*2.85*	*2.86*	*3.10*
	Jun 30	Jun 23	Jun 16	year ago (approx.)
S & P Industrial div. yield	2.51	2.55	2.51	2.72
S & P Indl. P/E ratio	*25.42*	*25.04*	*25.47*	*28.03*

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Sunshine Min	6,312,100	3½	— —
Levitz	2,969,700	11½	- 2½
West Elec	2,628,800	17	+ ¾
YPF Sociedad	2,447,900	20⅞	+ ⅛
Merck	2,257,800	34¼	— —
Gen Motors	2,170,800	44½	+ ⅜
Tucson Elec	2,091,700	4½	— —
Pepsico	2,087,100	36	+ ⅛
Citicorp	2,082,400	30¾	- ⅛
Walt Disney	2,073,700	38⅝	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	July 7	July 6	July 2
New York SE	248.434	233.314	212.674
Amex	16.717	17.394	15.686
NASDAQ	(u)	199.370	182.541
NYSE			
Issues Traded	2,570	2,554	2,543
Rises	*1,014*	*857*	*815*
Falls	888	1,135	1,101
Unchanged	668	562	627
New Highs	109	100	81
New Lows	23	19	19

CANADA

TORONTO	July 7	July 6	July 5	July 2	1993 HIGH	1993 LOW
Metals & Minerals	2983.08	3013.00	3015.70	3020.48	3020.48 (2/7)	2743.31 (21/1)
Composite	3972.72	3984.40	3980.50	3997.72	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1902.99	1909.51	1912.36	1910.65	1939.10 (25/6)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD						
M.S. Capital Intl.(1/1/70) $	580.0*	580.8	559.6	559.6	576.30 (3/6)	[illegible]
Euro Top-100 (26/6/90)	1021.49	1009.32	1005.62	1001.66	1021.49 (8/7)	[illegible]

**Saturday July 3: Taiwan Weighted Price: 3917.24, Korea Comp Ex. 746.30.
♥ Subject to official recalculation.

*Calculated [illegible]

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and OMX – 1,000; JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, July 8, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	14.1m	16	-23	Nippon Steel	3.5m	355	-4
Sumitomo Mtl Min	6.3m	1,080	+20	Mitsui Min & Sml	2.4m	539	+4
Kawasaki Steel	*5.9m*	*342*	-4	*Meiji Milk Prod*	*2.0m*	886	+25
Kaken Pharm	4.0m	1,680	+10	Dainippon Ink	2.0m	522	+17
Cosmo Oil	3.4m	653	+9	Shionogi	1.8m	1,080	+10

4 pm close July 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.5	25	65	13⅞	13⅜	13⅝	+⅛
29¾	20	A L Labs A	0.18	0.7	45	142	26	25¾	26	+¼
63⅞	54⅝	AMP Inc	1.60	2.6	22	1223	61¾	60½	61½	+¾
72¾	56½	AMR			9	6168	61⅞	60	61⅞	+2¼
2⅞	1¾	ARX			17	252	u2⅞	2⅝	2¾	+⅜
51½	29⅞	ASA	2.00	4.1	32	1580	49⅜	48⅝	48⅞	-1⅜
30¾	22⅝	Abbott Lab	0.68	2.8	16	14410	25¾	25¼	25¾	+½
12⅝	10¼	Abitibi Pr	0.50	4.8	4	20	10½	10½	10½	
14⅛	8¼	Acptncesh			212	60	12⅞	12¾	12¾	
32	25½	ACE Ltd	0.40	1.4		467	28⅝	28½	28⅝	+⅛
11⅞	10¾	ACM Gvt In x	0.96	8.1		643	u11⅞	11¾	11⅞	+⅛
10	9⅛	ACM GvOpp x	0.80	8.1		180	9⅞	9¾	9⅞	+⅛
9⅝	8¾	ACM Gvt Sp x	0.80	8.5		184	9½	9⅜	9⅜	
11⅞	10½	ACM Gvt Se	0.96	8.5		1569	u11⅞	11⅛	11¼	+⅛
11⅛	9⅝	ACM Man x	1.08	9.7		115	u11⅛	11	11⅛	
9⅞	8⅝	ACM Mangd x	0.72	8.0		98	9⅛	9	9	-⅛
12⅛	7¾	Acme Clevs	0.40	3.3	15	114	u12¼	11⅞	12¼	+⅜
9¼	6½	Acme Elect			262	10	7⅞	7⅞	7⅞	
24¾	18⅝	Acordia	0.44	1.9	13	63	22⅞	22⅝	22¾	+⅛
16	10⅜	Acuson			12	323	11¾	11⅜	11⅝	
22¼	19⅝	Adams Expr	0.46	2.3	1	69	20⅝	20⅜	20½	
66	45½	Ad Micro	3.00	5.5		297	54¾	54	54¾	+⅞
32¾	17⅝	Ad Micro P	3.00	12.1	10	6346	24⅞	24⅛	24¾	+¾
7¾	5½	Advest Grp	0.16	2.8	9	80	5⅞	5¾	5¾	-⅛
24¾	18	Advo Inc	0.08	0.4	19	31	18¼	18⅛	18¼	+⅛
49⅜	41⅛	Aegon ADR	2.95	6.6	9	71	45⅛	44¾	44⅞	+1
56	43⅞	Aetna Lf	2.76	4.9	143	2447	u56⅛	54¾	56	+1¼
14½	11½	AIM A	0.26	1.9	32	3900	13⅞	13¾	13⅞	
32¼	25⅝	Aflac	0.40	1.4	15	1196	29¾	28⅞	29¾	+½
22⅛	16¾	Ahmanson	0.88	4.8	21	1724	19	18⅛	18½	+½

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
50⅝	40	Barnett Bk	1.44	3.0	20	3562	48¼	47¾	48⅛	+⅜
8¼	5⅛	Baroid	0.20	2.9	29	197	7	6¾	7	+⅛
10⅜	4⅞	Battle Mt	0.10	1.1	17	5596	9⅞	9¼	9¼	-⅜
57½	47¾	Bausch Lmb	0.88	1.8	17	778	49⅞	48⅜	49¾	+1
32¾	27⅛	Baxter	1.00	3.5	15	2785	28⅝	28⅛	28½	+½
29⅜	24⅜	Bay St Gas	1.42	4.8	15	31	u29⅜	29	29⅜	+⅜
25	22	Bd Tr 1838	1.72	7.2		14	23¾	23½	23¾	+¼
23⅝	15¾	Bear Stns	0.60	2.5	8	2120	u24⅛	23½	23¾	+⅛
50	45½	BearStPfA x	2.77	5.7		z100	48¾	48¾	48¾	

Continued on next page

4 pm close July 8

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	15½	S Anita Rt x	1.38	7.6	17	60	18¼	18	18	-⅛
29¾	18⅛	SCOR US Cp	0.32	2.0	203	60	16¼	16¼	16¼	+⅛
28	20	SPS Techno	1.28	4.7	20	19	27¼	27	27¼	+¼
14½	12⅞	Sabine Rit	1.77	13.5	9	51	13¼	13⅛	13⅛	-⅛
13¾	8⅞	Safecard	0.20	1.5	13	372	u13¾	13⅜	13½	
23½	16⅞	Safeg'd Sc			8	97	18¼	17⅝	18	+½
24¾	18¼	SafetyKln	0.36	2.1	23	673	17⅝	17¼	17¼	
16½	10⅞	Safeway			25	1451	15⅞	15⅜	15⅝	+¼
3⅝	2	SafewayW96				20	3¼	3¼	3¼	-⅛
44½	37½	StJoePaper	0.20	0.5	85	48	40¾	39⅞	40⅛	
37¾	31	StJoeL&P	1.76	5.0	14	5	35⅝	35½	35½	+⅛
83¾	75	St Paul's x	2.80	3.4	13	672	83	82½	82½	
11	7⅞	Salant Crp			7	208	u11⅜	10⅞	11¼	+¼
75¼	39⅞	Sallie Mae	1.20	2.8	9	2801	42¾	42	42½	+½
13⅞	13	Salomon Br	0.36	2.7		816	13½	13¼	13⅜	
41⅞	34	Salomoninc	0.64	1.7	19	1363	38¾	37¾	38¼	+⅜
26⅞	23¼	SanDgo G&E	1.48	5.6	14	749	26½	26⅛	26⅜	
4⅞	3½	SantaFeEDu	0.40	10.3	193	57	4	3⅞	3⅞	-⅛
11⅞	9⅛	SantaFeERs	0.16	1.7	962	545	9¾	9⅝	9⅝	
40¾	35¼	SantaFePac	2.80	7.3	13	28	38⅞	38⅜	38⅜	-¼
18½	12¾	SantaFeStn	0.10	0.6	20	5094	18	17⅜	17¾	-¼
31⅛	23⅛	Sara Lee	0.58	2.4	18	3948	24¼	24¼	24½	+¼
48⅞	40⅛	Scana Corp	2.74	5.7	15	456	48¼	47¾	48¼	+¼
24⅞	21½	Seacorp	1.42	5.9	14	3374	24⅛	23⅞	24	+⅛
38⅞	23⅞	ScherenRP			24	416	29⅝	28½	29⅝	+1
70⅞	51¾	ScheringPl	1.80	2.7	17	5003	68¼	66⅝	67½	+⅛
68⅞	55⅜	Sch'berger	1.20	1.9	23	5196	62¾	62	62	-¼
29	16½	Schwab(C)	0.20	0.7	19	1586	u29⅜	27⅞	29⅜	+1⅜
7¾	5⅝	Schwitzer			27	13	6⅜	6¼	6⅜	+⅛
35	17¾	ScientAtln	0.12	0.4	46	3145	30¾	29⅛	29½	-1¼
13¼	9⅛	Scotman	0.10	0.9	12	148	11⅜	11⅛	11¼	-⅛
41	31¾	ScottPaper	0.80	2.5	16	1415	32½	32	32⅜	+¼
20⅞	14¼	ScuddrNAsF	0.21	1.0		125	20½	19⅞	20⅝	+⅜

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- T -

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- V -

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- W -

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- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close July 8

[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 8

[illegible]

AMERICA

Dow rally on positive data, program buying

Wall Street

PROGRAM-BUYING contributed to the rally on Wall Street yesterday morning as investors reacted to positive economic reports and equities continued to recover from their recent losses, *writes Karen Zagor in New York.*

At 12.30 pm, the Dow Jones Industrial Average was up 35.71 at 3,511.38 after breaking through the 3,500 level at noon. The more broadly based Standard & Poor's 500 was 4.42 higher at 447.25, while the Amex composite was off 0.39 at 431.40, and the Nasdaq composite rose 2.84 at 701.63. Trading volume on the NYSE was more than 146m shares by 12.30 pm, as rises outnumbered declines by 1,132 to 658.

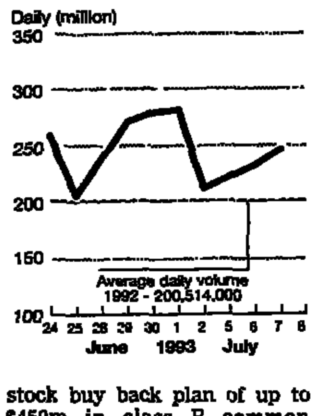
Investors took heart after unemployment claims showed a bigger than expected fall. The market was also encouraged by improved same-store sales for June from a number of large US retailers.

Woolworth, however, fell $⅝ to $27⅛ after warning investors that it would post disappointing second quarter earnings. The retailer reported a slight decline in domestic same-store sales for June.

In contrast, Sears climbed $1⅜ to a 52-week high of $57⅞ after unveiling a strong improvement in comparable store sales for June. Wal-Mart firmed $⅜ to $26¼ and JC Penney gained $1 to $44¼.

Nike jumped $1⅜ to $56¼ in active trading after the athletic shoe and apparel maker predicted single-digit growth for the current fiscal year. The company also authorised a stock buy back plan of up to $450m in class B common stock. Reebok, Nike's main rival, firmed $¾ to $28, while LA Gear improved $⅜ to $10½.

NYSE volume



Walt Disney Company fell $⅝ to $37¾ after a delayed opening as the company's Euro Disney operations posted disappointing earnings.

Newmont Mining tumbled $1⅛ to $54¾, after falling $3⅜ a day earlier. Late on Wednesday, a secondary offering of 9.65m common shares in the company was priced at $54¾ a share through underwriters led by Salomon Brothers.

In Nasdaq trading, Apple Computer added $⅜ to $37¼, Microsoft rose $1⅞ to $85¼ and Intel climbed $1⅞ to $54½.

Also in the technology sector, IBM rose $⅝ to $47½, Hewlett-Packard advanced $1⅛ to $78⅝ and Digital Equipment edged $¼ higher to $39⅝.

Airline issues recovered from their Wednesday losses, with AMR, parent of American Airlines, up $1⅜ to $61⅜, USAir gaining $¼ to $15½, Delta firming $⅝ to $47¼ and UAL holding steady at $124⅜.

Canada

TORONTO was down sharply at midsession as precious metals and oil and gas stocks weakened.

The TSE 300 composite index tumbled 47.36, or more than 1 per cent, to 3,925.36 in volume of 43.2m shares valued at C$518.9m. Declining stocks outpaced advances by 448 to 197, with 248 issues flat.

The oil and gas sector plummeted 187.21, or 3.9 per cent, to 4,563.37, and gold and silver shares fell by around 3 per cent as Comex gold futures drifted lower in New York.

North Americans excited by casino building craze

But the boom is blurring the distinction between gambling and investment, writes **Bernard Simon**

Nowhere has the distinction between investing and gambling become more blurred than in the high-stakes performance of casino operators listed on North American stock exchanges.

The confusion is evident even in the names of the companies which are raking in investors' money. Goldrush Casino & Mining Corporation is one of this year's most heavily traded and volatile shares on the Vancouver exchange. The hottest performers on US markets include such companies as Casino Magic and Boomtown.

Goldrush, which hopes to strike it rich with casinos in Colorado, Las Vegas and the Caribbean, soared from a low of C$3.05 in April to a peak of C$20.25 in June, with more than 7.5m shares changing hands in the past three months. By this week the share price had tumbled back to C$12.50.

The wheel has spun equally erratically for the veteran US gaming palaces centred on Las Vegas and Atlantic City. Shares of Circus Circus Enterprises have jumped more than 50 per cent on Wall Street in the past year to above US$60. The shares will be split three-for-two later this month.

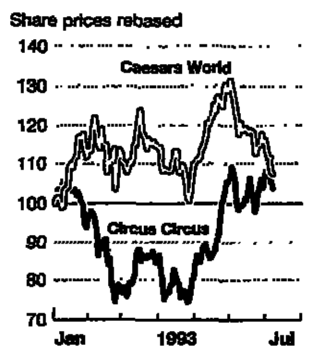
But Morgan Stanley downgraded its rating on the company yesterday from buy to hold, and the shares showed an immediate fall of $4⅛ to $54⅞.

Caesar's World has bounced over the past 12 months between a low of $28.13 and a peak of $50.88. It presently trades at about $41.75.

Almost a dozen casino operators are listed in New York, and three in Vancouver. Investors on the Toronto Stock Exchange can put their chips on Dion Entertainment Corporation, which is using the experience it has gained in 17 bingo halls on the Canadian prairies to expand into fully fledged casinos.

The casino boom stems largely from a drive among hard-pressed regional and local governments to broaden their tax base without raising politically sensitive income or property taxes.

US casinos



Source: Datastream

The Canadian province of Ontario recently called for bids for its first casino, to be built in Windsor, across the border from Detroit. The provincial government will keep 20 per cent of gross revenues, as well as any profits left over after expenses and a management fee paid to the operator.

In the US, prospects for casino operators have been buoyed by a flood of licences for floating "riverboat casinos". Mr John Rohs, an analyst at Wertheim Schroder in New York, points to a "domino effect", in which the legalisation of gambling in one state inexorably puts pressure on its neighbours to follow suit. For instance, if Windsor, Ontario, has a casino, can Detroit be far behind?

In addition, several dozen Indian bands in both countries are turning to casinos as a sure and recession-proof way of raising money for their communities.

Mr Rohs is confident that the proliferation of casinos is far from over, and that share prices will rise further. But he advises investors to place most of their bets with the well-established industry stalwarts. His current recommendations include Mirage Resorts and Promus Companies.

Others are nervous, however, that the wheel of fortune may be about to stop. Mr Douglas Taylor of National Securities in Seattle describes the casino craze as a "big fad". Noting that the market value of some of the newcomers already matches that of a medium-sized airline, Mr Taylor declares that "the entire population of the US is going to have to gamble once a day to keep these people going".

One sign that the gambling instinct may have overtaken sound investment judgment is that one of the biggest buyers of Goldrush Casino & Mining shares on the Vancouver Stock Exchange has been reported as a group known as the High Rollers Investment Club.

EUROPE

Frankfurt threatens 1,800 DAX level

LONDON-based strategists at NatWest Securities, Morgan Stanley and Nomura said nice things yesterday about Germany, or cyclicals, or both, although Mr James Cornish of NatWest kept a rein on his enthusiasm as he talked about "puffs of steam from the German locomotive".

Frankfurt responded, extending Wednesday's advance, and one or two other continental bourses were inspired by this to a greater or lesser degree, *writes Our Markets Staff.*

FRANKFURT blasted its way to a second consecutive 1993 high, basically because of a change of asset allocation policies among Anglo-Saxon investors, said Mr Jens Wiecking of Merck Finck in Düsseldorf.

The DAX index rose 63.94, or 3.7 per cent on the day to 1,783.70, up 2.5 per cent from the bullish post-bourse close on Wednesday. The afternoon was exciting yesterday, too, as the Ibis-based, post-bourse DAX inched closer and closer to the 1,800 mark, closing at 1,798.69.

Turnover rose from DM8.3bn to DM15.5bn.

Cyclicals were strong with BMW picking up DM37.00 or 7.1 per cent on the session to DM558.00 on strong US sales and Metallgesellschaft, the metals, engineering and trading conglomerate, rising DM24.60, or 7 per cent to DM374.00. Mannesmann put on DM18 to DM293.50 and then another DM7.50 in the post-bourse for an overall gain of 9.3 per cent, having reported a sizeable new gas pipe order from Malaysia.

Mr Wiecking said that the market's June rise from 1,600 to 1,700 was produced on light volume and poor quality of leadership, but that the gains of the past two days had been on big volume and that Deutsche Bank, Siemens and Allianz had all shown a good performance.

PARIS was inspired by the news coming out of Germany and, after a quiet morning session, began to move swiftly forward in late trading. The CAC-40 index closed 36.64 higher at 1,980.37, after a high of 1,989 and a low of 1,939.

Turnover was a brisk FFr4.1bn. Companies with exposure to Germany did well: Peugeot gained FFr7 to FFr601, Michelin put on FFr7.90 to FFr163 and St Gobain advanced FFr21 to FFr528.

Euro Disney fell more than 12 per cent after announcing, at the start of the day a larger than expected third quarter deficit, and forecasting a loss in the fourth quarter. The shares finished at a new year's low, down FFr8.70 at FFr59.50: the shares have fallen by nearly 40 per cent since March 30.

Remy Cointreau was FFr5.50 up at FFr180.50 on satisfactory results, and forecasts of profits growth in the following year.

FT-SE Actuaries Share Indices

July 8								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1219.43	1219.60	1218.78	1220.33	1220.97	1222.16	1228.23	1225.73
FT-SE Eurotrack 200	1265.39	1266.97	1266.56	1267.93	1268.97	1270.11	1271.88	1270.80

	Jul 7	Jul 6	Jul 5	Jul 2	Jul 1
FT-SE Eurotrack 100	1211.33	1203.04	1197.01	1201.31	1213.21
FT-SE Eurotrack 200	1260.04	1257.80	1253.51	1259.19	1270.98

Base value 1000 (26/10/90) High/day: 100 - 1226.62; 200 - 1273.35 Low/day: 100 - 1218.27 200 - 1265.39.

ZURICH was inspired by Frankfurt, but it did not have that market's strength in cyclicals; and Swiss banks, unlike their German counterparts, had already had some heady rises to digest this week.

So the move to cyclicals and industrials left the SMI index a relatively modest, 24.9 higher at 2,397.9. In banks, UBS, the focus of speculation earlier this week, rose a mere SFr2 to SFr1,172.

Better gains came in industrials where Brown Boveri rose SFr13 to SFr820, Ciba Geigy certificates by SFr13 to SFr660, and in Nestlé, the most active stock of the day, as it recovered a little from a Morgan Stanley downgrade earlier this week, and rose SFr14 to SFr1,103. Zurich Insurance put on SFr19 to SFr1,257.

AMSTERDAM moved higher in line with other markets with some impressive gains seen in the cyclicals. In chemicals, DSM rose Fl 3.20 to Fl 92.70 and Akzo by Fl 5.30 to Fl 158.90. The CBS Tendency index improved by 2.2 to 116.

MILAN was encouraged by gains in the insurance and telecommunications sectors, while hopes of a further easing in interest rates and a stronger bond market gave broad support to the market.

The Comit index closed up 10.40 or 1.95 per cent at 543.67.

Goldman Sachs, in a recent strategy paper on Italy, forecast a slowdown in the markets performance over the next quarter, given that the index has risen 19 per cent since the start of the year in local currency terms.

The insurers have been a market favourite for some time on expectations of a positive turnaround in the sector. Generali, which closed up L1,189 to L38,300, has gained 31 per cent since the beginning of the year, while Fondiaria, up L1,170 to L30,086, has gained 15 per cent over the same period.

Among telecoms, Stet improved L116 to L3,618, having slipped back over the last couple of days on technical selling as many investors liquidated holdings to purchase warrants.

VIENNA was boosted by Frankfurt, short covering and straightforward buying interest as the ATX index rose 24.53, or 2.9 per cent to 859.02. Creditanstalt preferred rose Sch35, or 6 per cent to Sch618 and the utility, Verbund, was up Sch24, or 4.4 per cent to 566.

ISTANBUL retreated a further 4.2 per cent, the composite index losing 474.6 to 10,789.2 in estimated turnover of TL787bn, up from TL597bn.

Mr Ben Hakham of Carnegie forecast a further correction from recent highs, given the likelihood of higher interest rates in the short-term as the government seeks to reduce the debt burden, continuing profit taking and worries over further Kurdish violence.

ASIA PACIFIC

Bullion price brings glitter to Pacific Rim

Tokyo

SHARES were mixed in moderately active trade as investors remained cautious ahead of today's settlement of stock index options and the parliamentary elections on July 18, *agencies report from Tokyo.*

The Nikkei average lost 32.00 to 19,688.67, after a day's high of 19,764.68 and low of 19,675.77. Volume was estimated at 350m shares, boosted by a trade of some 140m Nikkatsu shares. Nikkatsu filed for protection from creditors on July 1 and has since been replaced as a Nikkei index component stock.

The Topix index of all first section stocks gained 6.55 at 1,590.93 and, in London, the ISE/Nikkei 50 index moved up 2.85 to 1,204.21.

Declining issues just outpaced advances by 457 to 451, with 209 stocks unchanged.

Non-ferrous metal companies showed gains as the price of gold bullion rose above $397 an ounce in the US. Sumitomo Metal Mining added Y20 at Y1,080, with some 8m shares traded. Mitsui Mining & Smelting put on Y4 at Y526.

Mitsubishi Petrochemical rose Y17 to Y747 and Mitsui Toatsu Chemicals was unchanged at Y417, after earlier seeing Y426, on news that the two companies will raise prices on some petrochemical products.

Bank shares advanced on hopes of a rate cut in the near future: Mitsubishi Bank gained Y40 at Y2,770 and Fuji Bank added Y30 at Y2,410.

Elsewhere, Nomura Securities eased Y10 to Y1,950, Nikko Securities declined Y20 to Y1,050 and Daiwa Securities fell Y40 to Y1,220.

Roundup

THE RISE in gold contributed to some of the gains among Pacific Rim markets yesterday.

AUSTRALIA closed at its highest level since August 1989, but the failure of the gold price to break the $400 barrier left the market off the day's high. The All Ordinaries index, which had opened 13.8 ahead, retreated in late trading to finish 9.5 up on balance at 1,782.5. Turnover amounted to A$392.8m.

HONG KONG was slightly lower ahead of the visit of Mr Douglas Hurd, the British foreign secretary, to Beijing today.

The Hang Seng index ended down 18.72 at 7,122.39 in turnover of HK$2.8bn.

Mr Hurd is due to meet his Chinese counterpart to discuss progress on negotiations over the future of Hong Kong. The latest round of talks ended on Tuesday without a breakthrough.

Among the actives, Cheung Kong fell 20 cents to HK$26.80 and HSBC Holdings lost 50 cents to HK$74.50.

SEOUL gained ground on strong institutional support for large-capitalisation stocks. The composite index added 7.57 at 760.68 in turnover up to Won649.7bn from Won398.6bn.

Hyundai Engineering and Construction and Goldstar led the rises in construction and electronics shares, both gaining Won600 to Won20,100 and Won17,600 respectively.

TAIWAN relinquished an early gain on profit-taking and the weighted index ended a net 2.79 easier at 4,017.59. Turnover shrank to T$15.2bn from T$19.4bn.

Formosa Plastics declined 20 cents to T$42.80 as some investors took profits after the group's recent announcement that it was to build a new petrochemical facility.

MANILA continued to improve on positive sentiment for the economy. The composite index climbed 24.27 to 1,630.77 in turnover of some 460m pesos. Philippine Long Distance Telephone advanced 25 pesos to 980 pesos and Philippine National Bank rose 5 pesos to 300 pesos.

NEW ZEALAND recouped most of Wednesday's losses as the NZSE-40 index finished 4.16 higher at 1,716.49 in turnover of NZ$38m.

Among gold stocks, Mineral Resources appreciated 9 cents to NZ$1.75.

BOMBAY fell back in a thinly traded session restricted to one hour. The BSE index shed 35.68 to 2,217.72.

BANGKOK eased on profit-taking following Wednesday's 1.7 per cent advance. The SET index slipped 4.47 to 898.53.

SOUTH AFRICA

GOLD shares retreated as bullion, having failed to break through the $400 an ounce barrier, fell below $395. The gold index lost 121 to 1,971. Industrials slipped 28 to 4,691 and the overall index lost 68 to 4,145.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 7 1993								TUESDAY JULY 6 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	136.92	+0.9	136.01	93.22	121.55	133.85	+0.4	3.74	135.69	133.22	92.80	119.93	133.25	144.19	117.39	146.36
Austria (18)	143.83	+0.5	142.87	97.92	127.68	127.16	+0.5	1.53	143.15	140.55	97.91	126.52	126.55	150.96	131.16	170.81
Belgium (42)	146.39	−0.3	145.41	99.65	129.95	126.53	−0.1	4.52	146.75	144.09	100.36	129.70	126.67	156.76	131.19	148.08
Canada (106)	128.01	−0.1	127.16	87.15	113.63	119.07	−0.2	2.83	128.14	125.81	87.64	113.25	119.28	130.38	111.41	127.65
Denmark (33)	214.67	+0.1	213.24	146.14	190.56	191.67	+0.5	1.18	214.48	210.59	146.70	189.56	190.78	225.64	185.11	244.38
Finland (23)	99.98	+1.7	99.31	68.07	88.75	119.23	+1.9	1.02	98.29	96.50	67.23	86.87	117.06	100.92	65.50	78.60
France (96)	150.87	+0.0	149.87	102.70	133.92	136.67	+0.4	3.30	150.93	148.19	103.22	133.38	136.19	167.36	142.72	162.57
Germany (60)	110.16	+0.5	109.43	75.00	97.79	97.79	+1.0	2.17	109.57	107.58	74.95	96.83	96.83	117.10	101.59	129.01
Hong Kong (55)	287.60	−0.5	285.69	195.79	255.32	286.33	−0.5	3.29	289.09	283.84	197.72	255.51	287.86	301.61	218.82	252.59
Ireland (15)	156.70	−2.8	155.66	106.68	139.11	154.62	−2.4	3.49	161.20	158.27	110.25	142.47	158.51	170.40	129.28	156.95
Italy (70)	67.69	+0.2	67.24	46.08	60.09	78.36	+0.5	2.07	67.56	66.33	46.20	59.70	77.95	72.82	53.78	66.29
Japan (470)	146.00	−0.1	145.03	99.40	129.62	99.40	−0.6	0.83	146.15	143.49	99.96	129.18	99.96	155.96	100.75	100.12
Malaysia (69)	332.30	−0.1	330.09	226.22	294.98	329.04	−0.3	2.05	332.61	326.57	227.48	293.96	329.92	349.34	251.66	241.34
Mexico (19)	1481.21	−1.0	1471.37	1008.39	1314.91	5060.66	−1.0	0.97	1495.68	1468.53	1022.97	1321.92	5110.30	1725.81	1410.30	1409.71
Netherland (24)	166.40	−0.1	165.30	113.28	147.72	145.67	+0.3	3.77	166.62	163.59	113.96	147.26	145.21	172.75	150.39	164.31
New Zealand (13)	51.82	−0.1	51.48	35.28	46.01	50.32	−0.6	4.43	51.88	50.94	35.49	45.86	50.60	51.88	40.56	47.43
Norway (22)	153.27	−0.9	152.25	104.35	136.07	150.52	−0.6	1.75	154.68	151.87	105.79	136.71	151.42	166.21	137.71	170.08
Singapore (38)	249.67	−0.6	248.01	169.98	221.64	186.56	−0.8	1.85	251.08	246.53	171.73	221.91	188.08	262.72	207.04	216.71
South Africa (60)	211.77	+0.6	210.37	144.17	187.99	212.92	+0.2	2.38	210.46	206.64	143.94	186.00	212.52	211.77	144.72	199.54
Spain (44)	123.50	−0.3	122.68	84.08	109.63	121.58	−0.2	4.87	123.91	121.66	84.75	109.52	121.85	132.82	115.23	151.53
Sweden (36)	166.07	−0.2	164.97	113.06	147.43	193.18	+0.5	1.74	166.39	163.37	113.80	147.06	192.19	184.06	149.70	192.03
Switzerland (50)	126.37	−1.2	125.53	86.04	112.20	118.81	−0.8	1.83	127.87	125.54	87.46	113.03	119.74	129.36	108.91	111.65
United Kingdom (219)	172.86	−1.2	171.71	117.67	153.43	171.71	−0.1	4.04	175.01	171.83	119.68	154.66	171.83	181.99	162.00	169.52
USA (519)	181.24	+0.3	180.04	123.39	160.90	181.24	+0.3	2.82	180.71	177.43	123.60	159.72	180.71	186.27	175.38	166.98
Europe (752)	142.53	−0.6	141.58	97.03	126.53	136.01	+0.1	3.27	143.34	140.74	98.04	126.69	135.83	149.02	133.92	153.26
Nordic (114)	160.45	+0.1	159.39	109.24	142.44	163.24	+0.6	1.52	160.37	157.45	109.68	141.74	162.29	171.77	142.13	178.99
Pacific Basin (713)	149.87	−0.1	148.87	102.03	133.05	106.04	−0.5	1.11	150.00	147.28	102.60	132.58	106.60	159.07	105.89	106.77
Euro-Pacific (1465)	146.75	−0.3	145.77	99.90	130.26	118.53	−0.3	1.97	147.16	144.48	100.64	130.05	118.84	164.05	117.26	125.57
North America (627)	177.92	+0.3	176.74	121.14	157.97	177.00	+0.3	2.82	177.43	174.21	121.37	156.84	176.52	182.38	171.51	164.51
Europe Ex. UK (533)	123.63	−0.1	122.81	84.19	109.78	115.50	+0.3	2.75	123.76	121.52	84.67	109.41	115.18	128.65	112.51	131.21
Pacific Ex. Japan (243)	188.24	+0.0	186.99	128.17	167.12	173.93	−0.2	3.17	188.23	184.81	128.76	166.38	174.30	194.08	152.70	172.22
World Ex. US (1652)	147.59	−0.3	146.61	100.49	131.03	120.78	−0.3	1.99	147.96	145.30	101.22	130.80	121.09	154.27	118.51	127.22
World Ex. UK (1952)	156.42	+0.1	155.38	106.50	138.87	136.21	+0.0	2.13	156.31	153.47	106.91	138.16	136.27	161.34	134.22	134.97
World Ex. So. Af. (2111)	157.60	−0.1	156.56	107.30	139.92	138.87	+0.0	2.31	157.69	154.83	107.87	139.39	138.94	162.74	137.29	139.33
World Ex. Japan (1701)	166.05	+0.0	164.95	113.06	147.43	161.99	+0.2	2.97	166.10	163.08	113.61	146.82	161.69	170.05	157.47	161.81
The World Index (2171)	157.88	−0.1	156.83	107.49	140.17	139.48	+0.0	2.31	157.96	155.10	108.04	139.62	139.54	162.86	137.32	139.67

Latest prices were unavailable for this edition.